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REPARATION COMMISSION.

[Publications] XXII.

OFFICIAL DOCUMENTS.

**Report of the Agent-General for Reparation
Payments (May 21, 1930).**



LONDON:

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REPORT
OF THE
AGENT GENERAL
FOR
REPARATION PAYMENTS

May 21, 1930

BERLIN

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Berlin, May 21, 1930.

TO THE REPARATION COMMISSION.

Sirs:

I have the honour to present herewith my final Report as Agent General for Reparation Payments, covering the execution of the Dawes Plan through the fifth Annuity year and the Transition Period under The Hague Agreements up to May 17, 1930, when the Dawes Plan came to an end and the new Plan entered into force.

The Report of the Young Committee was made on June 7, 1929, and the Plan which the Experts recommended was intended to take effect, according to its terms, as of September 1, 1929. But owing to the time expended by the conferences between the interested Governments, by the work of the Organization Committees, and by the process of ratification in the principal countries concerned, it was not until May 17, 1930, that the Reparation Commission and the Kriegslastenkommission were able to make the joint report for which provision was made in the final clause of The Hague Agreement of January 20, 1930. With this declaration the new Plan came into force, and with the final transfers to the Bank for International Settlements the functions of the Agent General for Reparation Payments and of the several organizations established under the Dawes Plan came to an end.

Owing to the length of time required for putting the new Plan into effect, the entire first Annuity under the Young Plan, covering the seven months' period from September 1, 1929, to March 31, 1930, was paid and transferred under the system of administration provided by the Dawes Plan. The same is true of that part of the second Annuity under the Young Plan falling within the period from April 1 to May 17, 1930. In addition to the accounts of the fifth Annuity year under the Dawes Plan and the closing accounts of the Dawes Plan itself, the present Report, therefore, presents the record of receipts and payments for the first year of the Young Plan and likewise for the first part of the second Annuity year under the Young Plan up to the date of the final transfer of the Agent General's balances to the Bank for International Settlements. This transfer was completed on May 17, 1930, and the accounts of the Agent General for Reparation Payments for both the Dawes Plan and the Young Plan, up to the close of business on that date, have been examined and approved by the auditors. The functions of the Agent General in respect of the Dawes Plan and the Transition Period are thus completely discharged, and the present Report presents the final statements of account.

During the whole period of the Dawes Plan reparations have been fully paid and transferred, as provided in the Plan, up to a total of nearly 8 milliards of gold marks for the five Annuity years and to as much as $2\frac{1}{2}$ milliards for the fifth Annuity year alone. The specific securities provided by the Plan also developed

satisfactorily, fully meeting or exceeding the original expectations of the Experts of the Dawes Committee and providing a substantial margin of safety for the payments required of Germany under the Plan. The assigned revenues and the German Railway Company continue to provide collateral guarantees for the payment of the Annuities which Germany has agreed to pay under the new Plan.

The Dawes Plan has also realized its broader objects. The Experts of the Dawes Committee, it will be recalled, were originally appointed to "consider the means of balancing the budget and the measures to be taken to stabilise the currency" of Germany. The German currency, at all times since the beginning of the Plan, has satisfied both internally and externally the practical requirements of the gold standard, and with the coming into force of the new Plan it has been placed on a full gold basis. The German budget was brought into balance at the outset of the Plan, and the means for keeping it in balance have been constantly at hand, with public revenues which have developed during the period of the Plan to an extent far exceeding the expectations of the Experts and which are undoubtedly ample to meet all legitimate demands for public expenditure, including, of course, the discharge of Germany's obligations under the new Plan. But though the means exist, and the public revenues provide the essential material for a well-balanced budget, the determination to control expenditures and to keep them safely within the limits of available income has been lacking, and the result has been a long series of budgetary deficits which within the past year have produced a state of great tension in the public finances and which are now adding very seriously to the burdens of the German economy at the very time when it most needs to be free to adjust itself to the new conditions created by the fall in world prices and the general recession in trade and business. As the new Plan comes into operation, the reform of the public finances is the first problem of the German Government and the German people, and on its solution will depend in large measure the future progress of the German economy under the new conditions created by the Young Plan.

This Report brings to an end the record of the administration of the Dawes Plan and presents the final figures for reparation payments and transfers under the Plan up to the close of business on May 17, 1930. It also reviews the development of the German public finances and of German credit and business conditions during the whole period since the interim Report of July 1, 1929, and in these fields it takes account of all official information becoming available up to and including the first ten days of May, 1930.

I. The Administration of the Payments under the Dawes Plan.

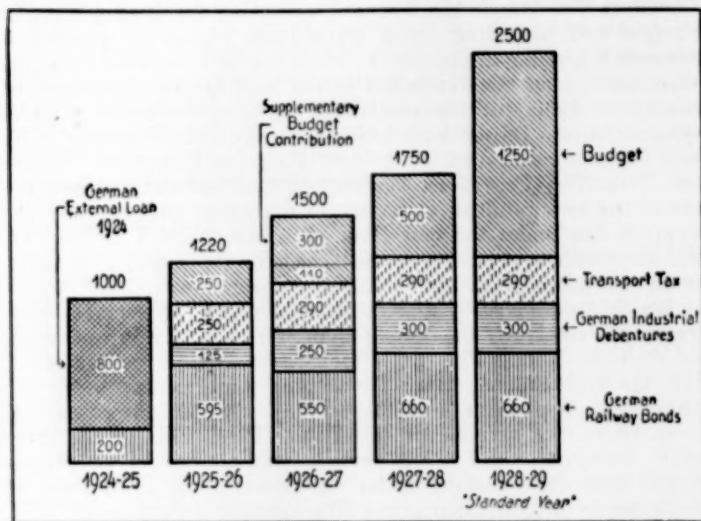
The fifth Annuity year under the Dawes Plan came to an end on August 31, 1929, and on that same date the Governments concerned adopted at The Hague the Protocol accepting the Young Plan in principle and providing for a transitional régime of reparation payments beginning September 1, 1929. Further provisions for the Transition Period were included in the final Hague Agreement of January 20, 1930, with the result that Germany continued to make payments on the Dawes Plan basis up to the end of March, 1930, when German ratification of the new Plan was completed. Under these Transitory Provisions Germany became entitled, as from the date of her own ratification, to pay to the Agent General only the Annuities due under the new Plan, and from April 1 to May 17, 1930, the German payments were all made on the Young Plan basis. During the whole Transition Period, however, the creditor Powers had limited themselves, by agreement, to the distributive shares which they would receive if the Young Plan were actually in operation, and since the Young Plan itself took effect as from September 1, 1929, the transactions under The Hague Agreements during the period from September 1, 1929, to May 17, 1930, were carried on, in effect, for account of the Young Plan. During the same period, however, there were further transactions in the funds derived from the Annuities under the Dawes Plan, arising out of the payments in completion of the fifth Annuity in September, 1929, and the gradual disbursement of the remaining Dawes funds through transfers to the creditor Powers and otherwise. These transactions represent, in effect, the liquidation of outstanding balances under the Dawes Plan, and the present Report, therefore, deals with them as part of the administration of the Dawes Plan, separate from the transactions for account of the Young Plan which are considered in the next chapter.

In considering the transactions under the Dawes Plan, this chapter deals first with the regular administration of the Annuity during the fifth Annuity year, and then with the further transactions which took place during the Transition Period, from September 1, 1929, to the close of business May 17, 1930, in the funds derived from the Dawes Annuities. The payment of the fifth Annuity was completed in the month of September, 1929, but transfers to the creditor Powers and for other purposes continued throughout the Transition Period and there still remained on May 17, 1930, a cash balance of about 14.7 million gold marks for final disposition under the Dawes Plan. This balance has now been transferred to the accounts of the creditor Powers with the Bank for International Settlements, and the record of payment and transfer of the Annuities under the Dawes Plan is thus complete. This Report accordingly presents in summary form statements showing the Annuities received and the transfers made under the Plan during the whole period from September 1, 1924, when it first became effective, until May 17, 1930.

a. Composition of the Annuities.

The Annuities payable by Germany in the successive years of the Dawes Plan are shown graphically in the table which is attached

to this Report as Exhibit I. The progressive increases in the Annuity, and the changes in its composition, from the first to the fifth or standard year, are also illustrated in the following diagram.



Composition of the Dawes Annuities.

(In millions of gold marks)

According to the terms of the Plan, the Dawes Annuity reached its standard amount in the fifth year and thereafter was subject to modification only as it might be increased through the application of the index of prosperity, or as it might be increased or decreased in order to take account of changes in the general purchasing power of gold. The provisions of the Dawes Plan and of the London Agreement in these regards have been summarized in preceding Reports.

The fifth Annuity under the Plan amounted to a total of 2,500 million gold marks, made up as follows:

	Gold Marks
Contribution from the German budget	1,250,000,000
Transport tax	290,000,000
Interest and amortization on the German Railway bonds	660,000,000
Interest and amortization on the German industrial debentures	300,000,000
Total	2,500,000,000

The fifth Annuity represented an increase of 750 million gold marks over the Annuity paid in the previous year. All of this increase fell on the contribution from the German budget, which amounted to 1,250 million gold marks in the fifth Annuity year as compared with 500 millions in the fourth Annuity year. In the fifth Annuity year, in other words, all the payments entering into the Dawes Annuity had reached their standard levels, including the contribution from the German budget.

b. The Fifth Annuity Year.

The execution of the Dawes Plan, as expressed in reparation payments and transfers, proceeded normally throughout the fifth Annuity year. As in previous years, Germany made loyally and punctually the payments required by the terms of the Plan, and deliveries and payments for the benefit of the creditor Powers went forward currently and in increasing volume, under the auspices of the Transfer Committee, without interfering with the stability of the German exchange.

The administration of the Annuity followed the general lines already established, and every effort was made, as in previous years, to provide a regular flow of deliveries and payments to the creditor Powers. The payments on account of the fifth Annuity, apart from those for the service of the industrial debentures, were made in equal monthly instalments throughout the year, and it was possible, therefore, to arrange for evenly-distributed monthly programmes covering the great bulk of the Annuity. With this same end in view, special arrangements were made, as described in the previous Report, for the partial pre-payment of the April instalment for the service of the industrial debentures. There appeared to be no practical advantage, however, in making any similar arrangements for advance payments on account of the August instalment, and this was accordingly taken, without pre-payment, on the legal due date.

During the fifth Annuity year the Agent General continued to follow the practice of arranging regular monthly programmes, prepared with due regard to the available receipts and to the basis of distribution among the Powers. The draft programmes were prepared for periods of three months at a time and presented quarterly to the Reparation Commission and the Transfer Committee. This assured advance consideration of the various items of expenditure, as contemplated by the Plan, and gave the creditor Powers sufficient notice of the programmes to enable them to make their own arrangements.

1. The Payments Made by Germany.

Germany paid during the fifth Annuity year, from September 1, 1928, through August 31, 1929, a total of 2,500,007,333.26 gold marks, of which 2,420,833,333.26 gold marks were on account of the fifth Annuity, while 79,174,000 gold marks represented payments in completion of the fourth Annuity which did not fall due until September, 1928.

The payments received during the year on account of the fifth Annuity may be summarized as follows:

	Gold Marks
Contribution from the German budget	1,250,000,000.—
Transport tax	265,833,333.26
Interest and amortization on the German Railway bonds	605,000.00 ¹ .—
Interest and amortization on the German industrial debentures	300,000,000 —
Total	2,420,833,333.26

These payments were all made promptly when due, in conformity with the detailed arrangements which were described in the previous Report. The second instalment of the year's service of the industrial debentures was paid in August on the legal due date, without any such arrangements for partial pre-payment as had been made for the April 1st instalment.

The balance of the fifth Annuity, amounting to 79,166,666.74 gold marks, did not become payable until September, 1929. Of this sum the final instalment of the year's service of the Railway bonds, amounting to 55 million gold marks, came due on September 1, 1929, and the balance of 24,166,666.74 gold marks from the transport tax on September 21, 1929. These payments were both made on the legal due dates, as more fully set forth in a later section of this chapter dealing with the period after the end of the fifth Annuity year.

The transport tax contribution under the Dawes Plan was provided out of the yield of the transport tax, and it is to be noted that the total yield of the tax for the fifth Annuity year, as provisionally reported by the Finance Minister of the Reich, amounted to 325,132,490.31 reichsmarks, thus leaving a considerable margin over the standard transport tax contribution of 290,000,000 gold marks. The yield of the tax for the fourth Annuity year, as reported by the Finance Minister, had amounted to 313,656,936.83 reichsmarks.

During the fifth Annuity year, in addition to the receipts on account of the fifth Annuity, there were payments to the amount of 79,174,000 gold marks, received during September, 1928, in completion of the fourth Annuity. These payments have already been noted in previous Reports, and they must be taken into account in considering the receipts that became effectively available for expenditure during the period of the fifth Annuity year.

2. The Distribution of the Payments.

The distribution of the payments received from Germany proceeded uninterruptedly throughout the fifth Annuity year, and payments for the benefit of the creditor Powers and for the other objects of expenditure contemplated by the Plan were regularly and currently made by the Agent General, under authority of the Transfer Committee. The actual distribution of the payments is summarized in the following paragraphs and is further described in the chapter relating to the work of the Transfer Committee.

(a) Basis of distribution.

The Annuities under the Dawes Plan have been distributed according to the principles laid down in the Finance Ministers' Agreement of January 14, 1925. These have been fully explained in previous Reports but may be briefly summarized as follows:

The first charge on the Annuity has been the service of the German External Loan, 1924.

Next came the priorities recognized by the Finance Ministers' Agreement, consisting chiefly of the costs of administration of the various Inter-Allied Commissions.

After these prior charges came the shares of the creditor Powers themselves, including not merely their respective shares of reparation on the basis of the so-called Spa percentages, but also the various allowances for army costs, both current and in arrears, the Belgian war debt allotments, the allowances for restitution, and the special share allotted to the United States of America in respect of the awards of the Mixed Claims Commission.

The basis of distribution changed in certain respects from year to year, but the funds received have always been distributed according to the Annuity to which they belonged, without regard to the date when they happened to become available.

In the distribution of the fifth Annuity, the allotment to the United States of America for the purpose of satisfying the awards of the Mixed Claims Commission reached for the first time the maximum amount of 45 million gold marks allowed under Article 3A (2) of the Finance Ministers' Agreement of January 14, 1925.

In accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925, a deduction of 10 per cent has been made from the share of Italy since the beginning of the third Annuity year for the purpose of reimbursing Italy's excess receipts out of Germany's payments and deliveries before the Dawes Plan came into force. By the end of June, 1929, these deductions reached a total sufficient to reimburse the full amount to be repaid by Italy, with interest, on the basis of the figures then entered in the accounts of the Reparation Commission; and the Commission accordingly notified the Agent General to suspend deductions from the Italian share.

Tables showing the distribution of the third, fourth and fifth Annuities are attached to this Report as Exhibits II, III, and IV. The distribution of the third and fourth Annuities has not been revised since the preceding Report. The distribution of the fifth Annuity has been revised by bringing in the interest earned and the difference in exchange for the remainder of the fifth Annuity year and for the Transition Period up to April 30, 1930; by including the cost of the service of the German External Loan, 1924, at its definitive figure, after taking account of interest received by the Trustees; and by giving effect to a slight reduction in the cost of Inter-Allied Commissions. In addition, pursuant to the provisions of Article 3 (c) of the Arrangement between the creditor Powers which forms part of The Hague Agreement of January 20, 1930, the expenses of the Experts' Committee of 1929 have been charged to the creditor Powers on the basis of the percentages provided by the Spa Agreement and complementary agreements. The only outstanding items which might have affected the distribution of the fifth Annuity were the interest and differences in exchange on Dawes balances for the period from May 1 to May 17, 1930, and any savings which might be realized in the costs of Inter-Allied Commissions on the completion of their liquidation. These matters have been finally disposed of, however, by decision of the Reparation Commission to the effect that interest and differences in exchange unallocated on the coming into force of the new Plan would simultaneously be distributed

between the Powers in the proportion of their adjusted shares in the fifth Annuity and that any savings realized in the costs of the Inter-Allied Commissions would subsequently be distributed by the Reparation Commission itself in accordance with the instructions of the principal creditor Governments. In view of the Arrangement of January 20, 1930, between the creditor Powers, under which they agreed to accept the division of German payments resulting from the new Plan as a final settlement of all questions relating to the distribution of Germany's payments prior to its application, the distribution of the third, fourth and fifth Annuities attached to this Report may thus be regarded as final.

The Experts' Report of June 7, 1929, provided that the sums received under the Dawes Plan in respect of the period from April 1 to August 31, 1929, should be redistributed to the extent necessary to provide each of the creditor Powers with cover for its net debt outgoings during the year ending March 31, 1930. In order to give effect to these provisions, the Arrangement between the creditor Powers of January 20, 1930, fixed the amounts to be received by the Powers in arrears and the proportions in which they would be charged on the excess of the other creditor Powers. These adjustments, however, are covered by direct transactions between the creditor Powers themselves, and they do not affect the distribution of the fifth Annuity as shown by this Report.

(b) Summary of receipts and payments.

The funds at the disposal of the Agent General during the fifth Annuity year amounted altogether to 2,697,992,428.62 gold marks. This total was made up as follows: (1) the cash balance brought forward from the fourth Annuity year, amounting to 189,488,944.86 gold marks; (2) the receipts from Germany in September, 1928, in completion of the fourth Annuity, amounting to 79,174,000 gold marks; (3) the receipts from Germany during the year on account of the fifth Annuity, amounting to 2,420,833,333.26 gold marks; and (4) the interest received on cash balances and gain in exchange, amounting to 8,496,150.50 gold marks. From the total of 2,697,992,428.62 gold marks there must be deducted the sum of 8,091,242.67 gold marks, representing the agreed discount on advance payments by the German Railway Company and the Bank for Industrial Debentures. The effective balance available for distribution among the creditor Powers and for meeting the other charges contemplated by the Plan thus amounted to 2,689,901,185.95 gold marks.

The payment of prior charges called for the following amounts during the year: 89,315,388.27 gold marks for the service of the German External Loan, 1924; and 11,518,559.19 gold marks for the expenses of the various Inter-Allied Commissions and of the Experts' Committee of 1929. There remained, after meeting these prior charges, a total of 2,589,067,238.49 gold marks for distribution among the Powers, of which 2,352,008,265.91 gold marks were actually disbursed during the year, leaving a cash balance on August 31, 1929, of 237,058,972.58 gold marks. Against this balance

there were outstanding commitments on August 31, 1929, to a total of 200,708,463.24 gold marks, consisting of 79,120,474.62 gold marks of accounts payable and 121,587,988.62 gold marks of commitments under approved contracts for deliveries in kind.

The accounts of the Agent General for Reparation Payments for the fifth Annuity year were audited by Messrs. Price, Waterhouse & Co., of Berlin. Copies of the Balance Sheet as of August 31, 1929, and of the Statement of Receipts and Payments for the fifth Annuity year, in the form certified by the auditors, are attached to this Report as Exhibits V and VI, respectively. There are also attached two further statements showing the distribution of the payments in greater detail, one appearing as Exhibit VII, which gives the distribution among the Powers of the amounts available for expenditure during the fifth Annuity year, and the other, appearing as Exhibit VIII, which analyzes the payments and accounts payable according to categories of expenditure. These accounts are all stated in gold marks on the basis prescribed in the London Agreement.

(c) Use of the funds by the creditor Powers.

The creditor Powers utilized the sums available to them for expenditure during the fifth Annuity year in the following manner:

France.—The total funds available to France amounted to about 1,444,569,000 gold marks. The French Government received about 28,605,000 gold marks for the expenses of its army of occupation in the Rhineland; about 71,284,000 gold marks through the operation of its Reparation Recovery Act, in the franc equivalent at the Bank of France; and cash transfers in foreign currencies to the amount of 491,827,000 gold marks. France also expended about 213,336,000 gold marks for the purchase of coal, coke and lignite, and for transport thereon; 48,199,000 gold marks for chemical fertilizers; 19,366,000 gold marks for sugar; 12,887,000 gold marks for dyestuffs and pharmaceutical products; 11,835,000 gold marks for coal by-products; 6,515,000 gold marks for timber; and about 275,148,000 gold marks for miscellaneous payments and deliveries of great variety. In addition, France expended 163,118,000 gold marks through the medium of exceptional contracts, including 56,968,000 gold marks for various public works; 37,618,000 gold marks for the boring and equipment of two coal mines in Lorraine; 34,532,000 gold marks for parts for the installation of continuous brakes on freight cars of the French railways; and 20,763,000 gold marks for the construction of ships. The foregoing items totalled 1,342,120,000 gold marks, leaving an unexpended balance of 102,449,000 gold marks. Of this balance about 102,044,000 gold marks were held committed on August 31, 1929, to meet payments provided for under approved contracts for deliveries in kind.

Great Britain.—The British share amounted altogether to about 548,802,000 gold marks. The British Government received about 12,259,000 gold marks for the expenses of its army of occupation in the Rhineland, and 184,257,000 gold marks in cash transfers, of which 183,657,000 gold marks were transferred in foreign currencies and 600,000 gold marks were applied towards the settle-

ment of certain balances which the British Government agreed to pay over to the German Government on account of wages earned by German prisoners of war and civilians interned in Great Britain during the war. The British Government, in addition, took about 334,122,000 gold marks through the operation of its Reparation Recovery Act, in the sterling equivalent at the Bank of England. There remained to its credit, at the end of the year, an unexpended balance of about 18,164,000 gold marks.

Italy. — The Italian share amounted to about 197,930,000 gold marks. Italy took 104,832,000 gold marks for coal and coke and for transport thereon; 1,281,000 gold marks for coal by-products; 1,108,000 gold marks for dyestuffs and pharmaceutical products; 67,000 gold marks for miscellaneous deliveries, and 70,666,000 gold marks in cash transfers in foreign currencies. There remained on August 31, 1929, an unexpended balance of 19,976,000 gold marks, of which 3,474,000 gold marks were held committed under approved contracts for deliveries in kind.

Belgium. — The funds available to Belgium amounted to about 135,763,000 gold marks. Belgium received about 972,000 gold marks for the expenses of her army of occupation, and 44,787,000 gold marks in cash transfers in foreign currencies. In addition, Belgium took about 10,945,000 gold marks for chemical fertilizers; 8,891,000 gold marks for dyestuffs and pharmaceutical products; 6,186,000 gold marks for coal and coke and for transport thereon; 1,896,000 gold marks for coal by-products; and 56,110,000 gold marks for miscellaneous deliveries of great variety. The foregoing items accounted for 129,787,000 gold marks, leaving an unexpended balance on August 31, 1929, of 5,976,000 gold marks, of which 5,893,000 gold marks were held committed under approved contracts for deliveries in kind.

Yugoslavia. — The total funds available to Yugoslavia amounted to about 98,760,000 gold marks. The Yugoslav Government received 18,640,000 gold marks in cash transfers in foreign currencies, and expended 205,000 gold marks for dyestuffs and pharmaceutical products; 201,000 gold marks for chemical fertilizers; and 72,675,000 gold marks for miscellaneous payments and deliveries of great variety. There remained on August 31, 1929, an unexpended balance of 7,039,000 gold marks, of which 6,206,000 gold marks were held committed under approved contracts for deliveries in kind.

United States of America. — The total share of the United States amounted to about 100,153,000 gold marks. The United States Government received 55,000,000 gold marks in cash transfers on account of its priority for army costs in arrears under Article 3A (1) of the Finance Ministers' Agreement of January 14, 1925. Practically all the remainder of the American share was taken in the dollar equivalent under a special agreement with the German Government for regular monthly payments on a basis substantially analogous to the financing of deliveries in kind.

Rumania. — The Rumanian share amounted to about 24,285,000 gold marks. Rumania took 23,833,000 gold marks in miscellaneous

deliveries in kind, leaving an unexpended balance on August 31, 1929, of 452,000 gold marks.

Japan.—The share of Japan amounted to about 18,674,000 gold marks. Japan received 5,789,000 gold marks in cash transfers in foreign currencies, and expended 3,601,000 gold marks for chemical fertilizers; 282,000 gold marks for agricultural products; and 3,140,000 gold marks for miscellaneous deliveries. There remained an unexpended balance on August 31, 1929, of 5,862,000 gold marks, of which 2,594,000 gold marks were held committed under approved contracts for deliveries in kind.

Portugal.—The Portuguese share amounted to about 15,172,000 gold marks. Portugal took 3,538,000 gold marks in cash transfers in foreign currencies, and 11,118,000 gold marks in miscellaneous deliveries, leaving an unexpended balance on August 31, 1929, of 516,000 gold marks.

Greece.—The Greek share amounted to about 9,048,000 gold marks. Greece took 2,395,000 gold marks in cash transfers in foreign currencies, and expended 4,499,000 gold marks for miscellaneous deliveries, leaving an unexpended balance on August 31, 1929, of 2,154,000 gold marks, of which 1,377,000 gold marks were held committed under approved contracts for deliveries in kind.

Poland.—The Polish share, which arose entirely on account of restitution, amounted to about 653,000 gold marks. Poland took 12,000 gold marks in cash transfers, and expended 550,000 gold marks for the purchase of horses and for incidental expenses incurred in that connection, leaving an unexpended balance of 91,000 gold marks at the end of the year.

c. The Transition Period, from September 1, 1929, to May 17, 1930.

The accounts for the fifth Annuity year were closed, in accordance with the usual practice, at the end of the Annuity year, on August 31, 1929, and are fully comparable with those of previous Annuity years. But after the fifth Annuity year the transactions in the funds derived from the Dawes Annuities represent, in effect, the liquidation of outstanding balances, and they are not to be compared with the figures for corresponding periods in previous years.

Generally speaking, the funds derived from the Annuities under the Dawes Plan which remained to be liquidated after the end of the fifth Annuity year consisted of the balances on hand on August 31, 1929, the payments in completion of the fifth Annuity made by Germany in September, 1929, and the miscellaneous adjustments, including interest and exchange differences, which were still to be brought to account.

The cash balance in the hands of the Agent General at the close of the year amounted to 237,058,972.58 gold marks, of which about 67 millions were deposited in reichsmarks at the Reichsbank and about 170 millions were in foreign currencies. This balance, generally speaking, had been allocated, though not transferred, to the creditor Powers before the end of the fifth Annuity year, and it remained at the disposition of the respective Powers accord-

ing to their distributive shares as already determined. In addition, Germany made payment in September, 1929, of the balance of the fifth Annuity, to the amount of 79,166,666.74 gold marks, of which 55 millions represented the final instalment of the year's service of the Railway bonds and 24,166,666.74 gold marks represented the balance of the transport tax contribution for the year. These payments, of course, were distributed among the creditor Powers according to the basis of distribution applicable to the fifth Annuity year.

During the period from September 1, 1929, to May 17, 1930, the creditor Powers were gradually liquidating the outstanding balances remaining to their credit, and by the end of the period the cash balance remaining on account of the Dawes Plan had been reduced to 14,727,668.72 gold marks. Against this balance there were outstanding commitments, consisting of accounts payable and other liabilities under contracts for deliveries in kind, to a total amount of 14,316,976.36 gold marks. This balance, with the commitments against it, has now been transferred to the credit of the Powers with the Bank for International Settlements.

1. Summary of Receipts and Payments.

The funds derived from the Annuities under the Dawes Plan which were available for disbursement during the Transition Period from September 1, 1929, to May 17, 1930, amounted altogether to 326,456,530.62 gold marks. This total was made up as follows: (1) the cash balance brought forward from the fifth Annuity year, amounting to 237,058,972.58 gold marks; (2) the receipts from Germany in September, 1929, in completion of the fifth Annuity, amounting to 79,166,666.74 gold marks; (3) the sum of 6,036,548.79 gold marks representing mainly the reimbursement by the German Government of an advance made out of fifth Annuity funds in August, 1929, for the service of the German External Loan, 1924, after August 31, 1929, plus the interest received on balances held by the Trustees for the German External Loan, 1924, applicable in reduction of the cost of service of the Loan paid out of the fifth Annuity; (4) the sum of 49,818.63 gold marks reimbursed in respect of expenses of the Inter-Allied Rhineland High Commission and the Experts' Committee, which had been paid out of the fifth Annuity; and (5) interest received and exchange differences for the Transition Period, amounting to 4,144,523.88 gold marks.

Against the total available funds of 326,456,530.62 gold marks, the disbursements during the Transition Period amounted to 311,728,861.90 gold marks, leaving a cash balance on May 17, 1930, of 14,727,668.72 gold marks. Against this balance there were outstanding commitments on May 17, 1930, to a total of 14,316,976.36 gold marks, consisting of 4,944,246.64 gold marks of accounts payable and 9,372,729.72 gold marks of commitments under approved contracts for deliveries in kind.

The accounts of the Agent General for Reparation Payments for the period September 1, 1929, to May 17, 1930, in respect of funds derived from Annuities under the Dawes Plan, have been audited by Messrs. Price, Waterhouse & Co., of Berlin. Copies of

the Balance Sheet as of May 17, 1930, and of the Statement of Receipts and Payments for the period September 1, 1929, to May 17, 1930, in the form certified by the auditors, are attached to this Report as Exhibits IX and X, respectively. There are also attached two further statements showing the distribution of the payments in greater detail, one appearing as Exhibit XI, which gives the distribution among the Powers of the amounts available for expenditure during the Transition Period, and the other, appearing as Exhibit XII, which analyzes the payments and accounts payable according to categories of expenditure. The accounts are stated, like all the accounts of the Dawes Plan, in gold marks, on the basis prescribed in the London Agreement.

2. Use of the Funds by the Creditor Powers.

The creditor Powers utilized the funds remaining available to them under the Dawes Plan during the period September 1, 1929, to May 17, 1930, in the following manner:

France.—The total funds available to France amounted to about 222,695,000 gold marks, which included (1) a sum of 2,509,000 gold marks which was advanced out of the French share in August, 1929, for the expenses of the army of occupation in the Rhineland for the month of September, 1929, and later reimbursed out of the special fund constituted to cover the costs of occupation after September 1, 1929, in accordance with The Hague Protocol of August 31, 1929; and (2) an adjustment of 9,000 gold marks in respect of the French share in the expenses of the Local Assessment Commissions for furnishings under Articles 8 to 12 of the Rhineland Agreement. France has taken about 11,997,000 gold marks through the operation of her Reparation Recovery Act in the franc equivalent at the Bank of France, and has received cash transfers in foreign currencies to the amount of 39,666,000 gold marks. Out of the remainder of her share, France expended about 10,428,000 gold marks for coal, coke and lignite, and transport thereon; 7,008,000 gold marks for chemical fertilizers; 3,758,000 gold marks for sugar; 3,458,000 gold marks for coal by-products; 817,000 gold marks for timber; 233,000 gold marks for dyestuffs and pharmaceutical products; and about 98,405,000 gold marks for miscellaneous payments and deliveries of great variety. In addition, France expended a total of about 37,224,000 gold marks through the medium of exceptional contracts for deliveries in kind, including 23,429,000 gold marks for public works, 7,542,000 gold marks for ships, and 4,688,000 gold marks for parts for continuous brakes on freight cars of the French railways. The foregoing items total 212,994,000 gold marks, leaving an unexpended balance of 9,701,000 gold marks on May 17, 1930, against which there were outstanding commitments of about 9,373,000 gold marks to meet payments under approved contracts for deliveries in kind.

Great Britain.—The British share amounted altogether to about 37,794,000 gold marks, including a reimbursement of 44,000 gold marks on account of provisional advances in respect of the British share in the expenses of the Local Assessment Commissions

for furnishings under Articles 8 to 12 of the Rhineland Agreement. The British Government has received about 5,834,000 gold marks in cash transfers in foreign currencies, and has taken practically all the remainder of its share through the operation of the Reparation Recovery Act, in the sterling equivalent at the Bank of England.

Italy.—The Italian share amounted to about 29,634,000 gold marks, after including the sum of 208,367 gold marks transferred from the share of Rumania, at the request of the Rumanian Government. Italy has taken about 3,113,000 gold marks in cash transfers in foreign currencies, and has spent practically the whole balance for coal and coal by-products.

Belgium.—The funds available to Belgium amounted to about 14,333,000 gold marks, including a reimbursement of 5,000 gold marks on account of provisional advances in respect of the Belgian share in the expenses of the Local Assessment Commissions for furnishings under Articles 8 to 12 of the Rhineland Agreement. Belgium has taken about 5,863,000 gold marks in cash transfers in foreign currencies, and has expended 1,261,000 gold marks for chemical fertilizers and the balance of her share for miscellaneous deliveries of great variety.

Yugoslavia.—The total funds available to Yugoslavia amounted to about 11,699,000 gold marks. The Yugoslav Government has received about 4,072,000 gold marks in cash transfers in foreign currencies, and has expended the balance of its share for miscellaneous deliveries of great variety.

United States of America.—The total share available to the United States of America amounted to about 1,480,000 gold marks, all of which has been taken in the dollar equivalent under a special agreement with the German Government for payments on a basis substantially analogous to the financing of deliveries in kind.

Rumania.—The Rumanian share amounted to 1,080,000 gold marks, after deduction of the sum of 208,367 gold marks transferred to the share of Italy, at the request of the Rumanian Government. Rumania has spent 1,004,000 gold marks for miscellaneous deliveries, leaving on May 17, 1930, an unexpended balance of 76,000 gold marks.

Japan.—The share of Japan amounted to about 6,410,000 gold marks. Japan has received 2,009,000 gold marks in cash transfers in foreign currencies, and has expended 3,102,000 gold marks for chemical fertilizers and the balance of 1,299,000 gold marks for miscellaneous deliveries.

Portugal.—The Portuguese share amounted to about 1,335,000 gold marks. Portugal has received 417,000 gold marks in cash transfers in foreign currencies, and expended the remainder of her share, 918,000 gold marks, in miscellaneous deliveries.

Greece.—The Greek share amounted to about 2,445,000 gold marks. Greece took 1,056,000 gold marks in cash transfers in foreign currencies, and expended the remainder of her share, 1,389,000 gold marks, for miscellaneous deliveries.

Poland.—The Polish share, which arose entirely on account of restitution, amounted to about 118,000 gold marks. Poland has received 1,000 gold marks in cash and has spent the remainder of her share in the purchase of horses and for incidental expenses incurred in that connection.

d. Summary of the Dawes Plan, from September 1, 1924, to May 17, 1930.

Attached to this Report are two statements (Exhibits XIII and XIV) showing the total payments received and the transfers made under the Dawes Plan from September 1, 1924, the date when it first became effective, up to the close of business May 17, 1930, when the final transfer was made to the Bank for International Settlements. The second of these statements summarizes the transfers made to the creditor Powers during the successive years of the Plan, up to May 17, 1930, and gives the totals actually received by the respective Powers during the period as a whole. The figures for the Powers include the allowances for army costs (both current and in arrears), the Belgian war debt allotments, and the allowances for restitution, without attempting to distinguish between receipts on these accounts and the receipts of each Power under the technical heading of reparation. The statements do not include, of course, any of the payments received by the creditor Powers prior to the operation of the Dawes Plan, or any of the amounts realized by the creditor Powers during the period of the Dawes Plan from sources outside the Plan, such as the liquidation of German property and balances and the payments under the special German-Rumanian agreement.

The statements speak for themselves, and it is unnecessary to recapitulate them in any detail. In summary, however, it may be observed that through the operation of the Dawes Plan France has received total payments amounting, in round figures, to 3,939.2 millions of gold marks; Great Britain 1,654.4 millions; Italy 555.1 millions; Belgium 527.5 millions; Yugoslavia 275.2 millions; and the United States of America 300.4 millions. The receipts of the Powers with the smaller shares have amounted, in round figures, to the following totals for the whole period: Rumania 67.2 millions; Japan 45.1 millions; Portugal 44.9 millions; Greece 23.7 millions; and Poland 1.4 millions. Out of the total balance of 14.7 millions transferred to the Bank for International Settlements at the close of business May 17, 1930, about 14.6 millions stood to the credit of France. The share of the United States of America was entirely exhausted, but the other Powers still had small balances, which were transferred to their credit with the new Bank.

e. Settlement of Old Accounts.

The Hague Agreements of January 20, 1930, have made possible a general closing of old accounts, on the basis of the complete and final settlement of Germany's reparation liabilities under the new Plan.

In Article II of the Agreement with Germany, the creditor Powers have recognized that

"As from the date when the New Plan is put into execution as provided in the final clause of this present Agreement, Germany's previous obligation is entirely replaced, except in respect of the German External Loan 1924, by the obligation laid down in the New Plan. The payment in full of the annuities there mentioned, in so far as the same are due to the Creditor Powers, is accepted by those Powers as a final discharge of all the liabilities of Germany still remaining undischarged, referred to in Section XI of Part I of the Dawes Plan as interpreted by the decisions of the Interpretation Tribunal set up under the London Agreement of the 30th August 1924."

And in Article III, it is provided that:

"The signatory Governments recognise that the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes Plan, together with all accounts involving credits to Germany, either now or in the future, against the original capital debt are henceforth obsolete and without practical effect and declare them closed in their present condition."

The accounts between the creditor Powers themselves which relate to the distribution of the German payments were definitely closed by the Arrangement between the creditor Powers which forms part of The Hague Agreements and reads as follows:

"1. The Signatory Powers accept the division of the German payments resulting from the New Plan as a final settlement of all questions relating to the distribution of payments, transfers, cessions and deliveries already made by Germany in execution of the Treaty of Versailles, the Armistice Conventions, and any supplementary Agreements, subject only to the provisions set out in Articles 3 and 4 of this arrangement."

"This division among the Signatory Powers shall not be affected by any existing arrangements between them nor by the result of accounts relating to past transactions."

"2. In consequence, all accounts between the Signatory Powers or between any one of them and the Reparation Commission, relating to questions dealt with in Article 1 and regarding the period prior to the application of the Experts' Plan of June 7th, 1929 (including accounts relating to the shares of the German pre-war public debt), have henceforth no purpose or effect and will be closed in their existing state, subject only to the provisions set out in Articles 3 and 4 of this arrangement."

The Hague Protocol of August 31, 1929, had already disposed of all the questions remaining to be settled in connection with the costs of the armies of occupation in the Rhineland, particularly those relating to requisitions and damages under Article 6 and furnishings and contributions under Articles 8 to 12 of the Rhine-

land Agreement. According to the provisions of Annex IV of this Protocol, the Belgian, British, French and German Governments reached the following agreement:

- "1. The costs of Armies of Occupation (including the Inter-Allied Rhineland High Commission) from the 1st September, 1929, will be provided out of a Reserve Fund fixed at 60 million Reichsmarks. To this fund the German Government will contribute a lump sum of 30 million Reichsmarks once and for all. The Occupying Powers will contribute to the Fund on their side in the following proportions, viz. :—

	Per cent.
France	35
Great Britain	12
Belgium	3

- "2. The Occupying Powers and the German Government reciprocally abandon all their claims relating to damage under Article 6 of the Rhineland Agreement which shall not have been paid in cash on the 1st September, 1929, and also all present or future credits in regard to services and damages under Articles 8 to 12 of the Rhineland Agreement, whatever be their date. No claim of a pecuniary character on either side shall be raised on any ground in respect of a territory evacuated.

"The claims waived by the Governments of the Occupying Powers are, in particular, the following :—

"The claims to any balances outstanding in their favour in the 'special account' of the Agent-General for Reparation Payments referred to in the Additif No. II signed at Brussels; the claims which arise out of advances made by the Agent-General in respect of Article 6 and Articles 8 to 12 of the Rhineland Agreement; and any claims for the sale value of any buildings constructed by the German Government for the occupying armies and charged to the annuity.

- "3. The above provisions apply both to the Occupying troops and the Delegations on the Inter-Allied Rhineland High Commission and their Staffs.

- "4. In no case shall Germany be obliged to make any payments to the Creditor Governments over the above-mentioned sums either for the cost of armies of occupation or for the Inter-Allied Rhineland High Commission, nor entitled to claim any part of these sums."

The effect of this agreement was to cancel all claims of the German Government under Article 6 and Articles 8 to 12 of the Rhineland Agreement, as well as the claims of the occupying Powers in respect of advances already made to the German Government on account of those Articles. The problem of the valuation of requisitions and damages under Article 6 of the Rhineland Agreement, which had been a source of dispute ever since the inception of the Dawes Plan, was thus finally eliminated. Moreover, the occupying Powers

waived any claims they might have had for the sale value of any buildings constructed by the German Government for the armies of occupation and charged to the Dawes Annuities.

It should be noted in this connection that under this Annex to The Hague Protocol the German Government also waived all claims in respect of future services and damages under the Rhineland Agreement and agreed to contribute a lump sum of 30 million reichsmarks once and for all toward the Reserve Fund for the costs of the armies of occupation after September 1, 1929. In this way assurance was given that no new differences or difficulties of a financial kind would arise under the Rhineland Agreement during the remainder of the period of occupation of the Rhineland.

f. Arbitration Proceedings.

When the Dawes Plan came to an end there were no questions pending before the Arbitral Tribunal constituted under the London Agreement of August 30, 1924, to hear and determine "disputes which may arise between the Reparation Commission and Germany with regard to the interpretation either of the Agreement concluded between them, the Experts' Plan, or the German legislation enacted in execution of that Plan".

Previous Reports have summarized the awards pronounced by the Arbitral Tribunal since its constitution, including its decisions of March 24, 1926, on the several questions submitted by the German Government involving the interpretation of Section XI of Part I of the Dawes Plan, as to the all-inclusive nature of the Annuities payable by Germany under the Plan, and also its decisions of January 29, 1927, and May 29, 1928, on the various questions submitted by the German Government as to the interpretation of the Dawes Plan in connection with the liquidation of German property, rights and interests.

The Experts of the Young Committee, in their Report of June 7, 1929, expressly recognized the decisions already given by the Arbitral Tribunal by way of interpretation of Section XI of Part I of the Dawes Plan with reference to the liabilities of Germany included within the Dawes Annuities. At the same time the Experts recommended that this "Tribunal should be retained in existence and any dispute that may arise between Germany on the one side and the Creditor Governments, or any one of them, or the Bank, on the other side, as to the extent of these liabilities or as to any other question of the interpretation or application of this Plan should be referred to it for final decision". The Hague Agreement of January 20, 1930, has made the necessary provisions for carrying these recommendations into effect under the new Plan.

g. Administrative Organization.

On October 15, 1929, M. Léon Delacroix, the Belgian Delegate on the Reparation Commission, who had also served with great distinction as Trustee for the German Railway Bonds ever since the Dawes Plan came into operation, died suddenly in Baden-Baden, where he was acting as one of the Belgian members of the Organization Committee of the Bank for International Settlements. On November 9, 1929, the Reparation Commission appointed M. Camille Gutt of Brussels to succeed him as Trustee for the German Railway Bonds.

The organization for the administration of the Dawes Plan has consisted of the Agent General for Reparation Payments, the Transfer Committee, the several Commissioners and Trustees with their respective staffs, and the general services of the Office for Reparation Payments, which have centralized the administrative work of the organization as a whole. This organization, which at its maximum, toward the end of 1925, had 135 members, was gradually reduced from year to year and stood at a total of 111 on April 30, 1930, just before entering on the period of final liquidation. The composition of the organization on that date and its distribution as to nationalities are summarized in the table annexed to this Report as Exhibit XXVI. Of the total staff, it will be observed, without attempting any allocation of the general administrative services, about 23 belonged to the special organizations of control in charge of the Commissioners and Trustees established under the Dawes Plan, while another 15 were attributable to the Transfer Committee and its subsidiary services.

The administrative expenses of the Commissioner of the Reichsbank and of the Commissioner for the German Railways were covered by the Reichsbank and the German Railway Company, respectively, in accordance with the provisions of the laws of August 30, 1924, governing the Reichsbank and the Railway Company. Subject to these two exceptions, all the expenses of the administrative organizations established under the Dawes Plan were met, during the first five Annuity years, out of the allowance of 3,700,000 gold marks per year which was provided under Article 1 of Chapter I of the Finance Ministers' Agreement of January 14, 1925. The actual expenses each year have been kept within this limit, and, at the same time, since the organizations were temporary in nature, a substantial amount has regularly been carried to reserve to provide for the expenses of final liquidation. In addition, a substantial payment has had to be made each year, out of the annual allowance, to cover the Trustee's one-third share in the running expenses of the Bank for German Industrial Debentures, a German institution over whose expenses the Trustee has had no control. The following table shows for each year (1) the actual cost of the administrative organizations established under the Dawes Plan; (2) the Trustee's share in the expenses of the Bank for Industrial Debentures; and (3) the total amount expended each year from the allowance provided by the Finance Ministers' Agreement:

Expenses of administration (In gold marks)	Cost of organi- zations under Dawes Plan	Share in expenses of Bank for Industrial Debentures	Total annual expenditure
First Annuity Year	3,151,720.89	190,602.04	3,342,322.93
Second Annuity Year	3,213,580.49	205,895.04	3,419,475.53
Third Annuity Year	3,197,142.75	407,213.24	3,604,355.99
Fourth Annuity Year	3,035,120.71	483,951.70	3,519,072.41
Fifth Annuity Year	3,050,751.02	472,065.04	3,522,816.06
Totals.....	15,648,315.86	1,759,727.06	17,408,042.92

The figures for the first Annuity year include expenses of organization and of the period of transition extending from September 1 to October 31, 1924. In addition, a total of 954,273.94 gold marks has been carried to reserve during the five-year period, with a view to covering the expenses of final liquidation. Beginning September 1, 1929, as more fully appears from the next chapter, expenses of administration ceased to be a charge on the Annuities, and have been covered out of the Special Fund provided by Germany under Annex III to The Hague Protocol of August 31, 1929.

The total charge on the Dawes Annuities for expenses of administration has been more than met out of the interest earned and the gain in exchange on the funds administered by the Agent General for Reparation Payments, under the authority of the Transfer Committee. The following table shows the interest earned and the gain in exchange on the funds derived from the Dawes Annuities during the period from September 1, 1924, up to May 17, 1930:

Funds derived from Dawes Annuities (in gold marks)	Interest earned	Net gain in exchange	Total realized
First Annuity Year	293,572.82	163,999.63	457,572.45
Second Annuity Year.....	2,897,552.08	259,852.37	3,157,404.45
Third Annuity Year.....	2,709,341.20	— 426,166.79	2,283,174.41
Fourth Annuity Year.....	4,845,972.60	250,429.73	5,096,402.33
Fifth Annuity Year.....	8,930,563.38	736,758.96	9,667,322.34
Transition Period, September 1, 1929, to May 17, 1930.....	2,824,309.38	— 491,736.43	2,332,572.95
Totals	22,501,311.46	493,137.47	22,994,448.93

The figures showing the net gain in exchange take account of the Annuities as a whole, including reichsmark balances as well as investments in foreign currencies. Under the Dawes Plan, it will be recalled, all accounts have had to be kept in gold marks on the basis prescribed in the London Agreements of August, 1924, which defined the gold mark in relation to the rate for cable transfers on London. In consequence the gold mark has fluctuated for accounting purposes with fluctuations in sterling, and an element of exchange calculation has been introduced even into reichsmark payments and the balances retained in Germany. Interest earned, on the other hand, has come almost entirely from the investment of funds in foreign currencies. In accordance with the terms of the Plan reichsmark balances have always been carried with the Reichsbank, which would pay no interest on deposits, and interest could only be earned, therefore, out of funds carried in foreign currencies, representing the investment of temporarily idle balances or, the accumulation of funds in anticipation of cash transfers.

During the period of the Dawes Plan a total of about 29 million gold marks has had to be paid by way of discount on advance payments for the service of the German Railway and industrial bonds, in order to provide for a regular monthly flow of reparation payments. This discount, however, cannot be considered as an

offset against the interest earned on the Annuities as a whole, since it was the price which had to be paid in any event to secure regular monthly payments on the Railway and industrial bonds, the service of which was legally payable, under the Dawes Plan, on a semi-annual basis. Under the Young Plan, as finally embodied in The Hague Agreement of January 20, 1930, all of Germany's payments to the Bank for International Settlements are to be made in equal monthly instalments on the 15th of each month, so that there will no longer be any necessity of paying discount in order to assure regular monthly payments.

h. The German External Loan, 1924.

The fifth year of the German External Loan ended on October 15, 1929, and a statement showing the position of the Loan as of that date is attached to this Report as Exhibit XXVII. The Agent General, acting for the Trustees of the Loan, continued to provide out of the Annuities the funds required for the service of the Loan, and expended about 89,068,000 reichsmarks for this purpose during the fifth Loan year, practically the whole of which was transferred in foreign currencies.

The fifth Loan year for the most part fell within the fifth Annuity year under the Dawes Plan, and the remainder within the Transition Period under The Hague Protocol of August 31, 1929. For the period from October 15, 1928, through August 31, 1929, the cost of the service of the Loan amounted to about 77,826,000 reichsmarks, and this sum was provided out of the fifth Annuity under the Dawes Plan. A further sum of about 5,364,000 reichsmarks, or about 5,380,000 gold marks, was advanced to the Trustees out of the fifth Annuity to cover the service of the bonds for the remainder of the Loan year, from September 1 to October 15, 1929, but this advance was later reimbursed to the fifth Annuity out of the payments made by Germany in respect of the Transition Period, its gold mark equivalent at the time of reimbursement being about 5,371,000 gold marks, as shown by the accounts. Including this reimbursement, the funds required for the service of the Loan from September 1 to October 15, 1929, amounted to 11,242,000 reichsmarks, all of which was provided out of Germany's payments under The Hague Protocol of August 31, 1929. The provisions for the service of the Loan during the remainder of the Transition Period are more fully described in the next chapter.

During the fifth year of the Loan, the position of the bonds in the markets of the world continued to make it difficult for the Trustees to purchase bonds for sinking fund purposes at prices not exceeding those fixed for redemption by drawings. In fact, the only purchases which could be made were in respect of the Italian tranche, to the extent of about 59.3 per cent of the funds available for the year, and in respect of the American tranche, to the extent of about 6.9 per cent of the funds available. In all tranches of the Loan, therefore, it became necessary, at the end of the Loan year, to proceed to the redemption of bonds by drawings, as provided in the terms of the General Bond securing the Loan. These drawings were conducted under the supervision of

the Trustees, with the cooperation of the Reichsschuldenverwaltung, at the offices of the respective paying agents, and the bonds thus drawn for redemption ceased to bear interest as from October 15, 1929.

The nominal amount of bonds redeemed by purchase or drawn for redemption in the fifth Loan year was about 28,981,000 gold marks, on the basis of conversions of foreign currencies into gold marks at the rate of October 15, 1929. The total nominal amount of bonds redeemed by purchase or drawn for redemption in the first five Loan years taken together was about 140.8 million gold marks, on the basis of conversions of foreign currencies into gold marks at the rate of October 15th in the respective years of redemption.

II. The Administration of the Payments during the Transition Period, for account of the Young Plan.

The Experts' Committee in their Report of June 7, 1929, stated that the "Committee's calculations were made on the basis that the Dawes Plan would cease on August 31, 1929, and the new Plan commence on September 1, 1929". The Report left it to the Governments to fix the exact date upon which the new Plan would go into effect, but in case the Governments should fix a date later than September 1, 1929, the Report "recommended that financial adjustments shall be made so that the basis of payments provided for under the new Plan shall nevertheless commence as of September 1, 1929, and the basis of payments provided for under the Dawes Plan should cease as of August 31, 1929".

The Protocol adopted by the Conference of the interested Powers at The Hague on August 31, 1929, gave effect to this recommendation of the Experts' Committee by providing for a Transition Period beginning September 1, 1929, and continuing until a date, still to be determined, when the Plan was finally put into force. The arrangements for this Transition Period and the manner in which they have been carried out during the period September 1, 1929, to May 17, 1930, inclusive, are described in this chapter. During these months, as in the preceding five years, Germany has made the agreed payments loyally and punctually, and deliveries and payments for the benefit of the creditor Powers have gone forward regularly and currently, under the auspices of the Transfer Committee, without interfering with the stability of the German exchange.

a. Provisions of The Hague Protocol of August 31, 1929, and The Hague Agreement of January 20, 1930.

The Hague Protocol of August 31, 1929, in Annex III, Article I, provided for the payments to be made by Germany during the Transition Period, and for the amounts that the creditor Powers were to receive out of these payments, in the following terms:

"1. Subject to the Experts' Report being finally put into force, and with the object of facilitating the application of paragraph 80 of the Report, the Creditor Powers agree that the amounts they are to receive out of the payments to be made by Germany in respect of the period after the Fifth Annuity of the Dawes Plan in respect of the share of each in the annuity shall be limited to the amounts laid down in the distribution of the Annuities of the Experts' Report.

"2. During the transitional period, until the Experts' Report is put into force, Germany will make the payments provided for in the Dawes Plan to the Agent General for Reparation Payments.

"3. Nevertheless for the payment of the amounts from the 1st October to the 31st December, 1929, or until the coming into force of the Experts' Report, if this takes place before that date, the Agent General for Reparation Payments shall, in consultation with the German Government, take the

necessary steps to afford the Treasury of the Reich, during this transitional period, every possible facility consonant with maintaining the rights of the Creditor Powers.

"4. If it should prove impossible to put the Experts' Report into force, the present agreement shall become null and void, and the amounts withheld through its application shall be paid to the Creditor Governments within four months."

The Protocol further provided, in Annex III, that Germany would contribute during the Transition Period an amount not to exceed 6 million reichsmarks for the expenses of the commissions and of the organizations under the Dawes Plan covered hitherto by the Dawes Annuities, and, in Annex IV, that "the costs of Armies of Occupation (including the Inter-Allied Rhineland High Commission) from the 1st September, 1929, will be provided out of a Reserve Fund fixed at 60 million reichsmarks", to which "the German Government will contribute a lump sum of 30 million reichsmarks once and for all".

The Protocol specifically provided, it will be observed, for the extension of credit facilities to the Treasury of the Reich during the Transition Period, but these provisions were due to expire according to their terms on December 31, 1929, and when it became apparent that the Conference could not resume its final sessions until the beginning of January the German Government made application to the creditor Powers for an extension of time. The creditor Powers, acting through their representatives on the Reparation Commission, accordingly agreed, on December 13, 1929, to extend the time for the operation of these provisions up to January 31, 1930.

The Transitory Provisions annexed to the Final Act of The Hague Conference, dated January 20, 1930, provided further for the administration of the payments during the Transition Period, on the following basis:

"By way of supplement to Annex III to the Protocol of The Hague dated the 31st August 1929, the Agent-General for Reparation Payments shall be instructed to make available to the Treasury of the Reich by way of loan, during the period from the signature of the Agreement of The Hague on German reparations of January 1930 to the ratification of the said Agreement by the German Government, the difference between the payments under the Dawes Plan and the amounts provided in the New Plan.

"From the date of the ratification by Germany of the Agreement concluded at The Hague in January, 1930 on the subject of German reparations to the putting into execution of the New Plan as provided in the fifth paragraph of the final clause of the said Agreement, the German Government shall be entitled to pay to the Agent-General for Reparation Payments only the annuities due under the New Plan.

"If it should be impossible to put the New Plan into execution, the present Agreement shall become null and void and the amounts withheld through its application shall be paid to the Creditor Governments within four months."

Annex VII to the Young Plan, proposing a scheme of distribution of the Annuities among the creditor Powers, assigned a share of these Annuities to the United States of America to meet the costs of the United States army of occupation and to satisfy the awards of the Mixed Claims Commission, established in pursuance of the agreement between the United States and Germany of August 10, 1922, which had hitherto been included in the Annuities of the Dawes Plan under Article 3 of the Finance Ministers' Agreement of January 14, 1925. Following the acceptance of the Young Plan in The Hague Protocol of August 31, 1929, however, a separate agreement was negotiated between the United States and Germany providing for the settlement of these claims outside the Young Plan. The Hague Agreement of January 20, 1930, accordingly stipulated in Article V that the Annuities payable by Germany under its terms should not include the amounts which the Young Plan had assigned to the United States. Up to May 17, 1930, however, the German-American Debt Agreement had not been put into force, so that throughout the Transition Period the amounts payable to the United States were received and transferred in the same manner as during the régime of the Dawes Plan.

b. The Payments Made by Germany.

Under the provisions of The Hague Protocol of August 31, 1929, and The Hague Agreement of January 20, 1930, the payments to be made by Germany during the Transition Period were to continue on the basis of the Dawes Plan until the ratification of the new Plan by Germany.

The payments actually effected by Germany, from September 1, 1929, to March 31, 1930, were as follows:

	Reichsmarks
Interest and amortization on the German Railway bonds (less discount).....	324,259,934.02
Contribution from the German budget	727,346,120.—
Transport tax	144,668,529.96
Total ...	1,196,274,583.98

Germany ratified the new Plan on March 26, 1930, and thereafter the amounts she was required to pay were only the sums necessary to cover the service of the German External Loan, 1924, and the amounts due to the creditor Powers and to the United States of America on the basis of their shares in the second Annuity of the Young Plan.

The receipts from Germany for the period April 1 to May 17, 1930, were as follows:

	Reichsmarks
Interest and amortization on the German Railway bonds (less discount).....	107,489,956.68
Contribution from the German budget	191,413,580.92
Total ...	298,903,537.60

It will be observed that no payments were made in the months of April and May, 1930, on account of the transport tax, owing to the fact that, in accordance with the arrangement in force, these payments were not due until the 15th of the month and that on or before that date sufficient funds had been received by the Agent

General to cover the amounts due on the basis of the Young Plan. Moreover, under the Dawes Plan, an instalment of 150 million gold marks for the service of the German industrial debentures was due on April 1, 1930. This payment was not made because the German Government desired to place this sum at the disposal of the budget of the Reich, and the Finance Minister requested the Agent General not to demand its payment on the ground that the amounts due from the service of the German Railway bonds and from the budgetary contribution taken together would exceed the amount due by Germany. The Agent General, in agreement with the Trustee for the Industrial Debentures, made no claim for the payment to his account in April, 1930, of the instalment due April 1, 1930, on condition that if by April 15, 1930, the full amount due under the Young Plan had not been paid, the German Government would complete the payment on that date. The full amount due was paid on April 12, 1930.

c. Allocation of the Payments.

Under the provisions of The Hague Protocol of August 31, 1929, and The Hague Agreement of January 20, 1930, the creditor Powers agreed that the amounts they were to receive out of the payments to be made by Germany in respect of the Transition Period would be limited to those laid down in the distribution of the Annuities under the Young Plan. The cost of the German External Loan, 1924, remains, of course, the first charge against the payments made by Germany and the necessary amount has been allotted for this purpose in priority in each month. Then came the allocations to the creditor Powers and the United States of America on the basis of their shares in the Annuities under the Young Plan, and in the month of October, 1929, 6 million reichsmarks and 30 million reichsmarks, respectively, were allocated to the funds for the costs of occupation and costs of commissions, as provided under The Hague Protocol of August 31, 1929.

The amounts paid by Germany in excess of her liabilities under the Young Plan, including her contributions to the Reserve Fund for costs of occupation and to the Special Fund for commissions, constituted a surplus which, under The Hague Protocol of August 31, 1929, was to be reimbursed to Germany on the coming into force of the new Plan.

1. Basis of Distribution.

It will be recalled that the Dawes Plan did not contain any key of distribution of the Annuities between the respective creditor Powers. The method of distribution was in fact agreed upon among the creditor Powers themselves and was originally incorporated in the Finance Ministers' Agreement of January 14, 1925; the scheme of distribution involved certain priorities and, as explained in preceding Reports and in that part of this Report dealing with the Dawes Plan, it has been the custom of the Agent General for Reparation Payments to calculate the distribution of the Annuities among the respective Powers. The Young Plan, however, contains a schedule of distribution of the Annuities among the respective

Powers and it is, moreover, a straightforward distribution involving no priorities as between the Powers and requiring no calculations.

In the first Annuity under the Young Plan, which comprises only the seven months' period from September 1, 1929, to March 31, 1930, inclusive, and in the second Annuity which corresponds to the year April 1, 1930, to March 31, 1931, the amounts stated below are allocated to the respective Powers, all expressed in millions of reichsmarks:

	First Annuity	Second Annuity
France.....	418.8	900.7
Great Britain	53.1	366.8
Italy.....	42.5	156.0
Belgium	70.7	98.2
Rumania	—	10.0
Yugoslavia	72.1	79.4
Greece.....	—	3.6
Portugal	6.0	13.2
Japan.....	13.2	13.2
Poland.....	0.5	0.5
Totals	676.9	1,641.6
United States of America	65.9	66.3

The amounts due to the United States of America under the German-American Debt Agreement are also shown above.

The amounts made available to the creditor Powers in each month of the Transition Period, on account of the receipts from Germany, therefore represented one-seventh of their shares in the first column, for the period September 1, 1929, to March 31, 1930, and one-twelfth of their shares in the second column for each of the months of April and May, 1930.

2. Allocations Made.

The allocations made during the Transition Period under The Hague Protocol of August 31, 1929, are shown below, divided into two periods, the first from September 1, 1929, to March 31, 1930, coinciding with the first Annuity under the Young Plan, and the second covering the last weeks of the Transition Period from April 1 to May 17, 1930.

The allocations for the period from September 1, 1929, to March 31, 1930, are as follows:

	Reichsmarks
For the service of the German External Loan, 1924	55,490,150.83
For distribution to the creditor Powers and the United States of America under the Agreement upon the Transition Period (Annex III to The Hague Protocol of August 31, 1929).....	742,800,000.—
Contribution to Reserve Fund for costs of occupation provided for in Annex IV to The Hague Protocol.....	30,000,000.—
Contribution to Special Fund for costs of commissions and of organizations under the Dawes Plan, provided for in Annex III, Article II, to The Hague Protocol	6,000,000.—
Total allocations....	834,290,150.83

The allocation for the service of the German External Loan, 1924, represents the amount actually required for the service of the Loan

during the seven months' period, as determined by the Trustees of the Loan, and the amount allocated for distribution to the creditor Powers represents the first Annuity under the Young Plan.

The allocations made to the Reserve Fund for the costs of occupation and the Special Fund for the costs of commissions represent the full amounts of the contributions for these purposes for which provision was made in The Hague Protocol of August 31, 1929.

For the period April 1 to May 17, 1930, the allocations made were only in respect of the service of the German External Loan, 1924, and for distribution to the creditor Powers and the United States of America. The following sums were made available:

	Reichsmarks
For the service of the German External Loan, 1924.	14,253,537.60
For distribution to the creditor Powers and the United States of America under the Agreement upon the Transition Period (Annex III to The Hague Protocol of August 31, 1929)	284,650,000.—
Total allocations.	298,903,537.60

The allocation for the service of the Loan represents the actual cost for the months of April and May, 1930, and the sum allocated for distribution to the creditor Powers and the United States of America represents one-sixth of the second Young Annuity payable over the year April 1, 1930, to March 31, 1931.

3. *Disposition of Funds in Excess of Allocations Made.*

After the amounts referred to in the preceding section had been allocated there remained in the hands of the Agent General during the Transition Period (a) the sums paid by Germany in excess of the amounts provided in the Young Plan including Germany's contribution to the funds for the costs of occupation and costs of commissions and (b) the interest and exchange differences on the funds in respect of the Transition Period, which were held unallocated pending a decision as to their distribution by the interested Powers. The disposition of both of these amounts is described in later sections.

The payments made by Germany during the month of September, 1929, on the basis of the Dawes Plan, excluding payments in completion of the fifth Annuity, amounted to only about 103.8 million reichsmarks whereas the requirements for that month for the service of the German External Loan, 1924, and for the allotments to the creditor Powers and the United States of America on the basis of the Young Plan amounted to about 117.4 million reichsmarks. By the end of October, 1929, however, Germany's payments exceeded by about 18.2 million reichsmarks the amounts allocated pursuant to The Hague Protocol of August 31, 1929, including the whole of Germany's contributions to the costs of occupation and the costs of commissions. From November, 1929, to March, 1930, inclusive, the excess of Germany's payments over the amounts allocated rose by between 68 and 69 million reichsmarks a month and the total excess on March 26, 1930, amounted to 361,984,433.15 reichsmarks. On that date Germany ratified the new Plan and in accordance with the provisions of The Hague Agreement of January 20, 1930, was required thereafter to pay

only the service of the German External Loan, 1924, and the Annuities due under the Young Plan, but in the manner, however, provided in the Dawes Plan. The German payments actually made were on the lower basis of the Young Plan, and the German surplus therefore did not rise above the amount at which it stood on March 26, 1930.

From month to month throughout the Transition Period the German surplus was invested in Reich Treasury certificates or Treasury bills to the extent that arrangements were made with the Finance Minister, and on May 17, 1930, the date of the coming into force of the new Plan, practically the whole excess was invested in Reich Treasury certificates, to the nominal value of 361 million reichsmarks, which became due on that date.

The sum of 361,984,433.15 reichsmarks paid by Germany during the Transition Period in excess of her liabilities under the new Plan was repaid to her on May 17, 1930, together with the net interest attributable to Germany pursuant to the provisions of Article 3 (ii.) of Annex II to The Hague Agreement of January 20, 1930.

The distribution of interest earned (other than the interest payable to Germany) and exchange differences in respect of the Transition Period was disposed of by an agreement between the creditor Powers of May 14, 1930. According to this agreement, this interest and these exchange differences were to be distributed between the Reserve Fund for costs of occupation, the Special Fund for costs of commissions and the funds available to the creditor Powers in proportion to the balances held by the Agent General on these different accounts throughout the Transition Period.

The total interest and exchange differences in respect of the Transition Period amounted to 10,659,172.90 reichsmarks and this sum was distributed as follows:

	Reichsmarks
Net interest attributable to Germany pursuant to the provisions of Annex II to The Hague Agreement of January 20, 1930	7,237,643.42
Interest allocated on the basis of the decision of the creditor Powers	
to the Reserve Fund for costs of occupation	191,627.97
to the Special Fund for costs of commissions and organizations under the Dawes Plan	71,593.90
for distribution between the creditor Powers in proportion to their shares in the Young Annuities ...	3,158,307.61
Total....	10,659,172.90

d. Disposition Made of Funds Allocated.

The disbursements made by the Agent General out of the amounts allocated for the service of the German External Loan, 1924, and for distribution to the creditor Powers and the United States of America as well as for the constitution of the funds for the costs of occupation and costs of commissions are described in the four sections immediately following.

1. Summary of Available Funds and Payments Made.

In describing the payments made by Germany and the allocations made out of these payments, the transactions have been divided into two periods, the first from September 1, 1929, to

March 31, 1930, coinciding with the first Annuity year under the Young Plan, and the second from April 1 to May 17, 1930, coinciding with the early weeks of the second Annuity year under the Young Plan. In summarizing the funds available and the payments made during the Transition Period, the same division has been followed.

(a) From September 1, 1929, to March 31, 1930.

The funds available for distribution from September 1, 1929, to March 31, 1930, amounted altogether to 834,290,150.83 reichsmarks. This total was made up as follows: (1) 55,490,150.83 reichsmarks for the service of the German External Loan, 1924, as determined by the Trustees of the Loan; (2) 742,800,000 reichsmarks representing the amount made available to the creditor Powers and the United States of America on the basis of the first Annuity under the Young Plan; (3) 30,000,000 reichsmarks representing Germany's contribution to the Reserve Fund for costs of occupation; (4) 6,000,000 reichsmarks representing Germany's contribution to the Special Fund for expenses of commissions and of organizations under the Dawes Plan.

The payments made to the Trustees of the German External Loan, 1924, in respect of the service of the Loan were, of course, exactly the amount retained for that purpose out of Germany's payments and amounted to 55,490,150.83 reichsmarks. In addition, there were payments during the seven months' period amounting to 620,325,665.05 reichsmarks for the account of the creditor Powers, 14,831,769.98 reichsmarks out of the Reserve Fund for costs of occupation and 5,259,786.55 reichsmarks out of the Special Fund for costs of commissions and of organizations under the Dawes Plan. The foregoing items total 695,907,372.41 reichsmarks, leaving a cash balance as of March 31, 1930, of 138,382,778.42 reichsmarks.

(b) From April 1 to May 17, 1930.

The funds available for distribution from April 1 to May 17, 1930, amounted to 440,707,845.50 reichsmarks. This total consisted of (1) the cash balance at April 1, 1930, in the amount of 138,382,778.42 reichsmarks; (2) 14,253,537.60 reichsmarks paid by Germany for the service of the German External Loan, 1924, for April and May, 1930, as determined by the Trustees of the Loan; (3) 284,650,000 reichsmarks representing the amounts made available to the creditor Powers and the United States of America on the basis of the second Annuity under the Young Plan; and (4) the interest and exchange differences allocated to the creditor Powers and to the special funds for costs of commissions and costs of occupation, pursuant to the decision of the creditor Powers, to the total amount of 3,421,529.48 reichsmarks.

The 14,253,537.60 reichsmarks received from Germany for the service of the German External Loan, 1924, were fully disbursed by the Agent General for that purpose before the end of the period. The balances remaining in the special funds for costs of occupation and costs of commissions, amounting to 15,359,857.99 reichsmarks and 811,807.35 reichsmarks, respectively, after the apportionment

of interest and exchange differences, were also fully disbursed before the coming into force of the new Plan. In addition 242,276,352.94 reichsmarks were paid out for the account of the creditor Powers and the United States of America during the period from April 1 to May 17, 1930. These disbursements amounted altogether to 272,701,555.88 reichsmarks, leaving a cash balance on May 17, 1930, of 168,006,289.62 reichsmarks in favor of the creditor Powers, all of which was transferred on the same date, at their request, to the Bank for International Settlements.

The accounts of the Agent General for Reparation Payments in respect of the Transition Period under The Hague Agreements have been audited by Messrs. Price, Waterhouse & Co. of Berlin as at March 31, 1930, the end of the first Annuity under the Young Plan, and again as at May 17, 1930, the date of the coming into force of the new Plan. Copies of the balance sheets as of both dates, and of the statements of available funds and payments made for the period September 1, 1929, to March 31, 1930, and April 1 to May 17, 1930, in the form certified by the auditors, are attached to this Report as Exhibits XVI and XXI and XVII and XXII, respectively. Further statements showing the distribution of the payments in greater detail are also appended. These statements give, for each period, the distribution between the Powers of the amounts available for expenditure (Exhibits XVIII and XXIII), and an analysis of the payments and accounts payable according to category of expenditure (Exhibits XIX and XXIV).

2. Use of the Funds by the Creditor Powers.

The summary of the use of the funds by the creditor Powers divides itself naturally into the two periods followed in this chapter, one from September 1, 1929, to March 31, 1930, corresponding to the first Annuity under the Young Plan, and the other from April 1 to May 17, 1930, falling within the second Annuity year of the new Plan.

(a) From September 1, 1929, to March 31, 1930.

The creditor Powers and the United States of America utilized their shares in the sums available under the Agreement upon the Transition Period from September 1, 1929, to March 31, 1930, in the following manner:

France.—The total funds available to France amounted to 418,800,000 reichsmarks. France received 125,000,000 reichsmarks in cash transfers in foreign currencies and took 21,507,000 reichsmarks through the operation of its Reparation Recovery Act, in the franc equivalent at the Bank of France. Of the remainder of the French share about 29,992,000 reichsmarks were expended for the purchase of coal, coke and lignite, and for transport thereon; 7,773,000 reichsmarks for dyestuffs and pharmaceutical products; 7,652,000 reichsmarks for chemical fertilizers; 7,131,000 reichsmarks for coal by-products; and about 93,885,000 reichsmarks for miscellaneous payments and deliveries of great variety. In addition, France expended about 38,936,000 reichsmarks through the medium of exceptional contracts for deliveries

in kind, including 10,000,000 reichsmarks on account of the boring and equipment of a coal mine in Lorraine; 20,187,000 reichsmarks for various public works, and 3,987,000 reichsmarks for ships. The foregoing items total 331,876,000 reichsmarks, leaving an unexpended balance of 86,924,000 reichsmarks on March 31, 1930. Of this balance about 54,922,000 reichsmarks were held committed to meet payments under approved contracts for deliveries in kind.

Great Britain.—The British share amounted to 53,100,000 reichsmarks. The British Government took about 1,404,000 reichsmarks for the expenses of its army of occupation in the Rhineland, and 5,660,000 reichsmarks in cash transfers in foreign currencies. The whole of the remainder of the British share, amounting to 46,036,000 reichsmarks, was taken through the operation of the Reparation Recovery Act, in the sterling equivalent at the Bank of England.

Italy.—The share of Italy amounted to about 45,027,000 reichsmarks, which included the sum of 2,527,350 reichsmarks transferred from the share of Japan in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Italy took about 35,230,000 reichsmarks for coal and coal by-products and transport thereon, and 8,285,000 reichsmarks in cash transfers in foreign currencies. There remained on March 31, 1930, an unexpended balance of 1,512,000 reichsmarks, of which 549,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Belgium.—The funds available to Belgium amounted to 70,700,000 reichsmarks. Belgium took about 154,000 reichsmarks for the expenses of her army of occupation, and received about 46,046,000 reichsmarks in cash transfers in foreign currencies. In addition, Belgium expended about 5,227,000 reichsmarks for dyestuffs and pharmaceutical products; 590,000 reichsmarks for chemical fertilizers; 579,000 reichsmarks for coal by-products; and 15,498,000 reichsmarks for miscellaneous deliveries of great variety. The foregoing items total 68,094,000 reichsmarks, leaving an unexpended balance on March 31, 1930, of 2,606,000 reichsmarks, of which 2,414,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Yugoslavia.—The share of the Yugoslav Government amounted to 72,100,000 reichsmarks. Yugoslavia received 44,206,000 reichsmarks in cash transfers in foreign currencies, and expended about 19,880,000 reichsmarks for miscellaneous payments and deliveries of great variety. There remained on March 31, 1930, an unexpended balance of 8,014,000 reichsmarks, of which 3,866,000 reichsmarks were held committed under approved contracts for deliveries in kind.

United States of America.—The total share of the United States of America amounted to 65,900,000 reichsmarks, all of which was taken within the period, 44,421,000 reichsmarks in cash transfers in foreign currencies, and 21,479,000 reichsmarks in

the dollar equivalent under a special agreement with the German Government for regular monthly payments on a basis substantially analogous to the financing of deliveries in kind.

Japan.—The share of Japan amounted to 10,673,000 reichsmarks, after deduction of the sum of 2,527,350 reichsmarks transferred to the share of Italy in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Japan received 1,012,000 reichsmarks in cash transfers in foreign currencies, and expended 689,000 reichsmarks for chemical fertilizers and 1,645,000 reichsmarks for miscellaneous deliveries, leaving an unexpended balance on March 31, 1930, of 7,327,000 reichsmarks, of which 1,875,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Portugal.—The Portuguese share amounted to 6,000,000 reichsmarks. Portugal took about 1,229,000 reichsmarks in cash transfers in foreign currencies, and expended 4,314,000 reichsmarks for miscellaneous deliveries, leaving an unexpended balance on March 31, 1930, of 457,000 reichsmarks, of which 284,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Poland.—The Polish share amounted to 500,000 reichsmarks. Of this amount, 437,000 reichsmarks were expended in the purchase of horses, leaving an unexpended balance on March 31, 1930, of 63,000 reichsmarks.

(b) From April 1 to May 17, 1930.

The creditor Powers and the United States of America utilized their respective shares in the sums available under the Agreement upon the Transition Period from April 1 to May 17, 1930, in the following manner:

France.—The share of France amounted to about 249,568,000 reichsmarks, of which about 83,333,000 reichsmarks were taken in cash transfers in foreign currencies, and 4,067,000 reichsmarks through the operation of the French Reparation Recovery Act in the franc equivalent at the Bank of France. For deliveries in kind and miscellaneous payments, France expended approximately 49,635,000 reichsmarks, of which 7,236,000 reichsmarks were for coal, coke and lignite and for transport thereon, 1,855,000 reichsmarks for coal by-products, 610,000 reichsmarks for chemical fertilizers and nitrogenous products, and the remainder for miscellaneous deliveries of great variety. In all, France utilized about 137,035,000 reichsmarks during the period, leaving an unexpended balance of 112,533,000 reichsmarks to her credit on May 17, 1930. Of this amount, nearly 75,592,000 reichsmarks were held committed under approved contracts for deliveries in kind and about 2,035,000 reichsmarks were reserved for payment under the Reparation Recovery Act procedure, leaving an uncommitted balance of about 34,906,000 reichsmarks.

Great Britain.—The total funds available to Great Britain amounted to about 61,443,000 reichsmarks. The British Government received 29,306,000 reichsmarks in cash transfers in

March 31, 1930, coinciding with the first Annuity year under the Young Plan, and the second from April 1 to May 17, 1930, coinciding with the early weeks of the second Annuity year under the Young Plan. In summarizing the funds available and the payments made during the Transition Period, the same division has been followed.

(a) From September 1, 1929, to March 31, 1930.

The funds available for distribution from September 1, 1929, to March 31, 1930, amounted altogether to 834,290,150.83 reichsmarks. This total was made up as follows: (1) 55,490,150.83 reichsmarks for the service of the German External Loan, 1924, as determined by the Trustees of the Loan; (2) 742,800,000 reichsmarks representing the amount made available to the creditor Powers and the United States of America on the basis of the first Annuity under the Young Plan; (3) 30,000,000 reichsmarks representing Germany's contribution to the Reserve Fund for costs of occupation; (4) 6,000,000 reichsmarks representing Germany's contribution to the Special Fund for expenses of commissions and of organizations under the Dawes Plan.

The payments made to the Trustees of the German External Loan, 1924, in respect of the service of the Loan were, of course, exactly the amount retained for that purpose out of Germany's payments and amounted to 55,490,150.83 reichsmarks. In addition, there were payments during the seven months' period amounting to 620,325,665.05 reichsmarks for the account of the creditor Powers, 14,831,769.98 reichsmarks out of the Reserve Fund for costs of occupation and 5,259,786.55 reichsmarks out of the Special Fund for costs of commissions and of organizations under the Dawes Plan. The foregoing items total 695,907,372.41 reichsmarks, leaving a cash balance as of March 31, 1930, of 138,382,778.42 reichsmarks.

(b) From April 1 to May 17, 1930.

The funds available for distribution from April 1 to May 17, 1930, amounted to 440,707,845.50 reichsmarks. This total consisted of (1) the cash balance at April 1, 1930, in the amount of 138,382,778.42 reichsmarks; (2) 14,253,537.60 reichsmarks paid by Germany for the service of the German External Loan, 1924, for April and May, 1930, as determined by the Trustees of the Loan; (3) 284,650,000 reichsmarks representing the amounts made available to the creditor Powers and the United States of America on the basis of the second Annuity under the Young Plan; and (4) the interest and exchange differences allocated to the creditor Powers and to the special funds for costs of commissions and costs of occupation, pursuant to the decision of the creditor Powers, to the total amount of 3,421,529.48 reichsmarks.

The 14,253,537.60 reichsmarks received from Germany for the service of the German External Loan, 1924, were fully disbursed by the Agent General for that purpose before the end of the period. The balances remaining in the special funds for costs of occupation and costs of commissions, amounting to 15,359,857.99 reichsmarks and 811,807.35 reichsmarks, respectively, after the apportionment

of interest and exchange differences, were also fully disbursed before the coming into force of the new Plan. In addition 242,276,352.94 reichsmarks were paid out for the account of the creditor Powers and the United States of America during the period from April 1 to May 17, 1930. These disbursements amounted altogether to 272,701,555.88 reichsmarks, leaving a cash balance on May 17, 1930, of 168,006,289.62 reichsmarks in favor of the creditor Powers, all of which was transferred on the same date, at their request, to the Bank for International Settlements.

The accounts of the Agent General for Reparation Payments in respect of the Transition Period under The Hague Agreements have been audited by Messrs. Price, Waterhouse & Co. of Berlin as at March 31, 1930, the end of the first Annuity under the Young Plan, and again as at May 17, 1930, the date of the coming into force of the new Plan. Copies of the balance sheets as of both dates, and of the statements of available funds and payments made for the period September 1, 1929, to March 31, 1930, and April 1 to May 17, 1930, in the form certified by the auditors, are attached to this Report as Exhibits XVI and XXI and XVII and XXII, respectively. Further statements showing the distribution of the payments in greater detail are also appended. These statements give, for each period, the distribution between the Powers of the amounts available for expenditure (Exhibits XVIII and XXIII), and an analysis of the payments and accounts payable according to category of expenditure (Exhibits XIX and XXIV).

2. Use of the Funds by the Creditor Powers.

The summary of the use of the funds by the creditor Powers divides itself naturally into the two periods followed in this chapter, one from September 1, 1929, to March 31, 1930, corresponding to the first Annuity under the Young Plan, and the other from April 1 to May 17, 1930, falling within the second Annuity year of the new Plan.

(a) From September 1, 1929, to March 31, 1930.

The creditor Powers and the United States of America utilized their shares in the sums available under the Agreement upon the Transition Period from September 1, 1929, to March 31, 1930, in the following manner:

France.—The total funds available to France amounted to 418,800,000 reichsmarks. France received 125,000,000 reichsmarks in cash transfers in foreign currencies and took 21,507,000 reichsmarks through the operation of its Reparation Recovery Act, in the franc equivalent at the Bank of France. Of the remainder of the French share about 29,992,000 reichsmarks were expended for the purchase of coal, coke and lignite, and for transport thereon; 7,773,000 reichsmarks for dyestuffs and pharmaceutical products; 7,652,000 reichsmarks for chemical fertilizers; 7,131,000 reichsmarks for coal by-products; and about 93,885,000 reichsmarks for miscellaneous payments and deliveries of great variety. In addition, France expended about 38,936,000 reichsmarks through the medium of exceptional contracts for deliveries

in kind, including 10,000,000 reichsmarks on account of the boring and equipment of a coal mine in Lorraine; 20,187,000 reichsmarks for various public works, and 3,987,000 reichsmarks for ships. The foregoing items total 331,876,000 reichsmarks, leaving an unexpended balance of 86,924,000 reichsmarks on March 31, 1930. Of this balance about 54,922,000 reichsmarks were held committed to meet payments under approved contracts for deliveries in kind.

Great Britain.—The British share amounted to 53,100,000 reichsmarks. The British Government took about 1,404,000 reichsmarks for the expenses of its army of occupation in the Rhineland, and 5,660,000 reichsmarks in cash transfers in foreign currencies. The whole of the remainder of the British share, amounting to 46,036,000 reichsmarks, was taken through the operation of the Reparation Recovery Act, in the sterling equivalent at the Bank of England.

Italy.—The share of Italy amounted to about 45,027,000 reichsmarks, which included the sum of 2,527,350 reichsmarks transferred from the share of Japan in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Italy took about 35,230,000 reichsmarks for coal and coal by-products and transport thereon, and 8,285,000 reichsmarks in cash transfers in foreign currencies. There remained on March 31, 1930, an unexpended balance of 1,512,000 reichsmarks, of which 549,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Belgium.—The funds available to Belgium amounted to 70,700,000 reichsmarks. Belgium took about 154,000 reichsmarks for the expenses of her army of occupation, and received about 46,046,000 reichsmarks in cash transfers in foreign currencies. In addition, Belgium expended about 5,227,000 reichsmarks for dyestuffs and pharmaceutical products; 590,000 reichsmarks for chemical fertilizers; 579,000 reichsmarks for coal by-products; and 15,498,000 reichsmarks for miscellaneous deliveries of great variety. The foregoing items total 68,094,000 reichsmarks, leaving an unexpended balance on March 31, 1930, of 2,606,000 reichsmarks, of which 2,414,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Yugoslavia.—The share of the Yugoslav Government amounted to 72,100,000 reichsmarks. Yugoslavia received 44,206,000 reichsmarks in cash transfers in foreign currencies, and expended about 19,880,000 reichsmarks for miscellaneous payments and deliveries of great variety. There remained on March 31, 1930, an unexpended balance of 8,014,000 reichsmarks, of which 3,866,000 reichsmarks were held committed under approved contracts for deliveries in kind.

United States of America.—The total share of the United States of America amounted to 65,900,000 reichsmarks, all of which was taken within the period, 44,421,000 reichsmarks in cash transfers in foreign currencies, and 21,479,000 reichsmarks in

the dollar equivalent under a special agreement with the German Government for regular monthly payments on a basis substantially analogous to the financing of deliveries in kind.

Japan.—The share of Japan amounted to 10,673,000 reichsmarks, after deduction of the sum of 2,527,350 reichsmarks transferred to the share of Italy in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Japan received 1,012,000 reichsmarks in cash transfers in foreign currencies, and expended 689,000 reichsmarks for chemical fertilizers and 1,645,000 reichsmarks for miscellaneous deliveries, leaving an unexpended balance on March 31, 1930, of 7,327,000 reichsmarks, of which 1,875,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Portugal.—The Portuguese share amounted to 6,000,000 reichsmarks. Portugal took about 1,229,000 reichsmarks in cash transfers in foreign currencies, and expended 4,314,000 reichsmarks for miscellaneous deliveries, leaving an unexpended balance on March 31, 1930, of 457,000 reichsmarks, of which 284,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Poland.—The Polish share amounted to 500,000 reichsmarks. Of this amount, 437,000 reichsmarks were expended in the purchase of horses, leaving an unexpended balance on March 31, 1930, of 63,000 reichsmarks.

(b) From April 1 to May 17, 1930.

The creditor Powers and the United States of America utilized their respective shares in the sums available under the Agreement upon the Transition Period from April 1 to May 17, 1930, in the following manner:

France.—The share of France amounted to about 249,568,000 reichsmarks, of which about 83,333,000 reichsmarks were taken in cash transfers in foreign currencies, and 4,067,000 reichsmarks through the operation of the French Reparation Recovery Act in the franc equivalent at the Bank of France. For deliveries in kind and miscellaneous payments, France expended approximately 49,635,000 reichsmarks, of which 7,236,000 reichsmarks were for coal, coke and lignite and for transport thereon, 1,855,000 reichsmarks for coal by-products, 610,000 reichsmarks for chemical fertilizers and nitrogenous products, and the remainder for miscellaneous deliveries of great variety. In all, France utilized about 137,035,000 reichsmarks during the period, leaving an unexpended balance of 112,533,000 reichsmarks to her credit on May 17, 1930. Of this amount, nearly 75,592,000 reichsmarks were held committed under approved contracts for deliveries in kind and about 2,035,000 reichsmarks were reserved for payment under the Reparation Recovery Act procedure, leaving an uncommitted balance of about 34,906,000 reichsmarks.

* *Great Britain.*—The total funds available to Great Britain amounted to about 61,443,000 reichsmarks. The British Government received 29,306,000 reichsmarks in cash transfers in

foreign currencies and about 21,218,000 reichsmarks in the sterling equivalent at the Bank of England through the operation of the British Reparation Recovery Act. There thus remained an unexpended balance on May 17, 1930, of 10,919,000 reichsmarks, of which about 10,609,000 reichsmarks were earmarked for payment later in the month under the Reparation Recovery Act procedure.

Italy.—The Italian share amounted to about 29,565,000 reichsmarks, which included an amount of 50,000 reichsmarks transferred from the share of Portugal in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Italy received 17,250,000 reichsmarks in cash transfers in foreign currencies and about 9,265,000 reichsmarks for coal and coke and transport thereon. The unexpended balance on May 17, 1930, was about 3,050,000 reichsmarks, of which 2,465,000 reichsmarks were committed under approved contracts for deliveries in kind.

Belgium.—The share of Belgium amounted to about 21,000,000 reichsmarks. Belgium received about 11,242,000 reichsmarks in cash transfers in foreign currencies, and expended about 796,000 reichsmarks for dyestuffs and pharmaceutical products, about 347,000 reichsmarks for chemical fertilizers and nitrogenous products and about 4,755,000 reichsmarks for miscellaneous deliveries of great variety. These items amounted altogether to 17,140,000 reichsmarks, leaving an unexpended balance on May 17, 1930, of 3,860,000 reichsmarks, of which 3,541,000 reichsmarks were committed under approved contracts for deliveries in kind.

Yugoslavia.—The funds available to Yugoslavia amounted to about 22,394,000 reichsmarks. Yugoslavia received about 6,983,000 reichsmarks in cash transfers in foreign currencies and expended 5,295,000 reichsmarks on miscellaneous payments and deliveries of great variety. The balance to the credit of Yugoslavia on May 17, 1930, amounted to 10,116,000 reichsmarks, of which about 5,219,000 reichsmarks were committed under approved contracts for deliveries in kind and 4,897,000 reichsmarks remained uncommitted.

United States of America.—The total share of the United States of America amounted to 11,050,000 reichsmarks. The whole of this sum was taken within the period, about 7,755,000 reichsmarks in cash transfers in foreign currencies and the remainder of about 3,295,000 reichsmarks in the dollar equivalent under a special agreement with the German Government for regular monthly payments on a basis substantially analogous to the financing of deliveries in kind.

Rumania.—Rumania had no share in the funds available under the Agreement upon the Transition Period up to March 31, 1930, but for the period from April 1 to May 17, 1930, the funds available to her amounted to about 1,669,000 reichsmarks. Rumania expended 750,000 reichsmarks for miscellaneous deliveries in kind, and on May 17, 1930, had a balance to her credit of 919,000 reichsmarks, of which 750,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Japan.—The total share of Japan amounted to about 9,959,000 reichsmarks. Japan received about 1,631,000 reichsmarks in cash

transfers in foreign currencies and expended about 394,000 reichsmarks for deliveries in kind. Of the unexpended balance on May 17, 1930, of 7,934,000 reichsmarks, about 1,856,000 reichsmarks were committed under approved contracts for deliveries in kind.

Portugal.—The funds available to Portugal amounted to about 2,800,000 reichsmarks, after deduction of the sums of 50,000 reichsmarks and 84,661 reichsmarks transferred to the credit of Italy and Greece, respectively, in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Portugal received 384,000 reichsmarks in cash transfers in foreign currencies and about 2,044,000 reichsmarks for miscellaneous deliveries in kind. The unexpended balance at May 17, 1930, amounted to about 372,000 reichsmarks, of which 342,000 reichsmarks were held committed under approved contracts for deliveries in kind.

Greece.—Greece had no share in the funds available under the Agreement upon the Transition Period until April 1, 1930, but from that date until May 17, 1930, the funds available to her amounted to about 686,000 reichsmarks. This sum included the amount of 84,661 reichsmarks transferred from the share of Portugal in settlement of adjustments between these Powers in respect of the distribution of the receipts of the last five months of the Dawes Plan. Greece received practically the whole of her share in cash transfers in foreign currencies.

Poland.—The total amount available to Poland amounted to about 149,000 reichsmarks. Poland took practically the whole of this sum in cash transfers in foreign currencies and the unexpended balance at May 17, 1930, was only 2,000 reichsmarks.

3. Reserve Fund for Costs of Occupation.

Under the Dawes Plan the Annuities paid by Germany were all-inclusive, and the expenses of the armies of occupation up to September 1, 1929, were regularly provided out of the Dawes Annuities in accordance with the terms of the Finance Ministers' Agreement of January 14, 1925. The Annuities under the Young Plan, however, do not include "the current expenses of Occupation as they are to continue only until a date to be fixed by the Governments". The Experts therefore recommended that "the necessary arrangements for their payment should be made by the Governments, in connection with the adoption of the new Plan".

Annex IV to The Hague Protocol of August 31, 1929, contains an agreement upon the costs of occupation between the Belgian, British, French and German Governments, as follows:

1. The costs of Armies of Occupation (including the Inter-Allied Rhineland High Commission) from the 1st September, 1929, will be provided out of a Reserve Fund fixed at 60 million reichsmarks. To this fund the German Government will contribute a lump sum of 30 million Reichsmarks once and for all. The Occupying Powers will con-

tribute to the Fund on their side in the following proportions, viz.:—

	Per cent
France	35
Great Britain	12
Belgium	3."

"3. The above provisions apply both to the Occupying troops and to the Delegations on the Inter-Allied Rhineland High Commission and their Staffs."

By a subsequent agreement between the Belgian, British and French Governments, reached at the close of The Hague Conference, it was provided that Great Britain and Belgium would not participate in the Reserve Fund but would themselves bear the costs of their armies of occupation and in consideration of this agreement would be relieved from their liability to contribute to the fund. The only occupation costs, therefore, which are chargeable to the Reserve Fund are those of the French Army of Occupation and the Inter-Allied Rhineland High Commission.

Annex IV to The Hague Protocol of August 31, 1929, does not fix a date for the constitution of the Reserve Fund for the costs of occupation. The fund was, in fact, constituted by the Agent General for Reparation Payments, in agreement with the Reparation Commission, in October, 1929, through the retention, out of the payments made during that month, of the 30,000,000 reichsmarks which the German Government had agreed to contribute "once and for all" to the fund. The fund could not be constituted in September because Germany's payments on account of the Transition Period in September amounted to only 103,834,215 reichsmarks, which was less than the 117 millions, or thereabouts, required under The Hague Protocol to cover the service of the German External Loan, 1924, and the monthly shares of the Powers. In September, 1929, therefore, the expenses properly chargeable to the fund were advanced out of the Agent General's working funds and were reimbursed to the Agent General in October, 1929, upon the constitution of the fund.

Annex II to The Hague Agreement of January 20, 1930, however, provides that:

"The sum of thirty million reichsmarks referred to in § 1 of Annex IV to The Hague Protocol is to be deemed due by Germany as follows:—

5 million R. M. on 20th September, 1929.

" " " 20th October, "

" " " 20th November, "

" " " 20th December, "

the balance (10 million R. M.) on the 31st December, 1929".

These provisions, made after the fund had been constituted, nevertheless had an effect upon the interest adjustments involved in the complete settlement of accounts with Germany in respect of the Transition Period, provided for in Annex II to The Hague Agreement of January 20, 1930.

During the seven months' period, from September 1, 1929, to March 31, 1930, the following payments were made out of the Reserve Fund for the costs of occupation:

	Reichsmarks
For the French Army of Occupation	13,800,000.—
For the expenses of the Inter-Allied Rhineland High Commission	979,000.—
For the Commission of Interpretation and Local Assessment Commissions:	
French share	51,941.76
Inter-Allied Rhineland High Commission share	828.22
Total payments	14,831,769.98

The balance remaining in the fund, as at March 31, 1930, amounted to 15,168,230.02 reichsmarks.

On May 14, 1930, the creditor Governments reached an agreement regarding the distribution of the interest earned on the reichsmark investments other than the net interest to be credited to Germany and of the whole of the interest earned and exchange differences on the foreign currency investments. The amount thus available was distributed between the Reserve Fund for costs of occupation, the Special Fund for costs of commissions and the funds available to the creditor Powers, in proportion to the balances in these accounts throughout the Transition Period. On this basis the net interest attributable to the Reserve Fund for costs of occupation amounted to 191,627.97 reichsmarks.

The transactions affecting the Reserve Fund which were effected during the period April 1 to May 17, 1930, may be summarized as follows:

	Reichsmarks
Balance standing in the Reserve Fund at April 1, 1930	15,168,230.02
Interest allocated to the Reserve Fund pursuant to the decision of the creditor Powers	191,627.97
Total available	15,359,857.99
Payments to	
French Army of Occupation	1,000,000
Rhineland High Commission	285,000
Balance	14,074,857.99

The above balance was transferred, on the coming into force of the Young Plan, on May 17, 1930, to the French Government in accordance with instructions received through the Reparation Commission from the duly authorized representatives of the creditor Powers concerned.

4. *Special Fund for Costs of Commissions.*

During the Transition Period, the expenses of the Reparation Commission and of the organizations under the Dawes Plan, hitherto covered by the Dawes Annuities, were paid out of a Special Fund established for that purpose under The Hague Protocol of August 31, 1929. Under the Dawes Plan costs of this kind, like the costs of occupation and the expenses of the Inter-Allied Rhineland High Commission, were included within the Annuities paid by Germany. According to the express provisions of the Young Plan, however, these costs were not covered by the Annuities, as they were ex-

pected "to continue only until a date to be fixed by the Governments". The Experts, therefore, recommended that "the necessary arrangements for their payment should be made by the Governments in connection with the adoption of the new Plan".

Annex III to The Hague Protocol of August 31, 1929, contains the following provisions for covering the expenses of commissions and the Dawes Plan organizations during the Transition Period:

"1. Germany will contribute an amount not to exceed 6 million Reichsmarks to the expenses of the Commissions and the Organisations under the Dawes Plan covered hitherto by the Dawes Annuities.

"2. This contribution shall be retained, out of the payments made by Germany during the transitional period, in addition to the sums to be distributed in accordance with the Experts' Report.

"3. If savings are realised on this amount of 6 million Reichsmarks, the amount saved will be repaid to the German Government."

As in the case of the Reserve Fund for costs of occupation, the Special Fund for the costs of commissions, in the absence of any provision in The Hague Protocol of August 31, 1929, regarding the date of its retention, was constituted by the Agent General, in agreement with the Reparation Commission, in October, 1929, by setting aside 6 million reichsmarks for the fund out of payments made by Germany during that month. For September the expenses chargeable to the fund were advanced out of the working funds of the Agent General and these advances were reimbursed in October, 1929, upon the constitution of the fund.

Annex II to The Hague Agreement of January 20, 1930, however, provides that:—

"The sum of six million reichsmarks referred to in § 2 of Annex III to The Hague Protocol is to be deemed due by Germany on the day on which the Agent-General for Reparation Payments received from Germany payments in excess of the amounts due under the New Plan sufficient to cover that sum."

The Hague Agreement of January 20, 1930, also provided that the Annuities which are payable by Germany in equal monthly instalments under the Young Plan shall be due on the 15th of each month. Under this provision and the terms of Annex II quoted above, the Special Fund for the costs of commissions is regarded as having been constituted on September 5, 1929, and its constitution on this date had an effect on the amount of interest to be credited to Germany in the complete settlement of accounts in respect of the Transition Period.

During the nine months' period from September 1, 1929, to May 31, 1930, the total expenditures made out of the Special Fund amounted to 5,259,786.55 reichsmarks, of which 3,340,953.35 reichsmarks were for expenses of the Reparation Commission and 1,918,833.20 reichsmarks were for expenses of the organizations established under the Dawes Plan. The balance remaining in the fund as at May 31, 1930, amounted to 740,213.45 reichsmarks.

The net interest allocated to the Special Fund for commissions on the basis of the creditor Powers' agreement amounted to 71,593.90 reichsmarks, so that a total sum of 811,807.35 reichsmarks was available in the fund for expenditure during the period April 1 to May 17, 1930. During this period the total sum available was disbursed and the Special Fund was therefore closed in the books of the Agent General for Reparation Payments before the coming into force of the Young Plan.

c. The German External Loan, 1924.

Under the Young Plan, as under the Dawes Plan, the amounts required for the service of the German External Loan form an integral part of the Annuities to be paid by Germany, and they are specifically included in the unconditional Annuities payable under the new Plan. The service of the Loan continues, of course, to enjoy the same position, rights and priorities as under the Dawes Plan and stands as a first charge on all the payments made by Germany.

During the Transition Period, from September 1, 1929, to May 17, 1930, the funds required for the service of the Loan have been retained by the Agent General for Reparation Payments out of Germany's payments under The Hague Protocol of August 31, 1929, and have been made available by him, in turn, to the Trustees of the Loan. During that period about 69,744,000 reichsmarks were expended for this purpose, practically the whole of which was transferred in foreign currencies. Of this sum, about 11,242,000 reichsmarks were in respect of the period from September 1 to October 15, 1929, already described, belonging to the fifth year of the Loan, while the remaining 58,502,000 reichsmarks were on account of the sixth Loan year covering the period from October 16, 1929, to May 17, 1930.

The operations of the sinking fund during the fifth year of the Loan, through purchases in the market and redemptions by drawings, have already been summarized in the preceding chapter. With the opening of the sixth Loan year, on October 16, 1929, further amounts became available to the Trustees for sinking fund purposes, and during the period from October 16, 1929, to May 17, 1930, it proved possible to make purchases of bonds in the market for sinking fund purposes to the equivalent of about 3.1 million reichsmarks in the case of the American tranche, and about 141,500 reichsmarks in the case of the Italian tranche. The savings resulting from these purchases during the Transition Period will accrue to the benefit of Germany under the Young Plan, since they have the effect of reducing the amounts which the German Government is obligated to provide for the service of the German External Loan as part of the Annuities under the new Plan.

Article XIII of The Hague Agreement of January 20, 1930, provides as follows:

"The German Government confirms all the priorities, securities and rights hitherto created for the benefit of the German External Loan, 1924, and declares that nothing in the New Plan or in consequence of the termination of the Dawes Plan, diminishes or varies the nature and extent of its prior

obligations and engagements assumed under the General Bond securing the said Loan, all of which are preserved in their integrity. The Governments of the other Signatory Powers similarly confirm and recognise the absolute prior position of the service of the German External Loan, 1924, and declare, in so far as they are concerned, that all the priorities, securities and rights hitherto granted said Loan remain unimpaired including those under the London Protocol dated 30th August 1924. In particular, but without limiting the foregoing general declarations, the Governments of the German Reich and of the other Signatory Powers recognise that the specific first prior charge for the benefit of the said Loan continues to attach to all payments hereafter to be made by Germany for Reparation or other Treaty costs, including not only the non-postponable portion of the German annuities to be paid into the Annuity Trust Account but also the postponable portion of the German annuities to be paid into the Annuity Trust Account; and the said Powers accordingly agree that the amounts currently required for the service of said Loan shall be paid out of said annuities to, or upon the order of, the Trustees of said Loan in priority to any other disbursements made therefrom. The Government of the German Reich further accepts and confirms the provisions for the security of the German External Loan, 1924, which are contained in Annex XI, of which the English text is alone authentic."

The Trustees of the Loan were advised at the same time of the text of the Agreement between Germany and the United States which had been initialed by the representatives of the two Governments, and also the text of the two Notes to be exchanged between the two Governments simultaneously with the execution of the Agreement between them. The Trustees took note, in this connection, that in these Notes the German Government and the Government of the United States both expressly recognized, so far as their Agreement is concerned, "the prior rights of the holders of the bonds of the German External Loan as provided in the General Bond securing the Loan dated October 10, 1924".

In view of the coming into force of the Young Plan, the Trustees of the Loan, at their meeting of May 6, 1930, decided to appoint the Bank for International Settlements to take over the general fiscal work theretofore performed for them by the Office of the Agent General for Reparation Payments. This appointment took effect as from May 17, 1930, the date of the coming into force of the Young Plan, and continues until further action by the Trustees. At the same meeting, the Trustees appointed Mr. Gates W. McGarrah as an additional Trustee in accordance with Article 14 of the General Bond securing the Loan and Mr. McGarrah has since accepted the appointment.

In connection with the transition to the new Plan, the Trustees of the Loan received the following notification from the Bank for International Settlements under date of May 12, 1930:

"The Bank for International Settlements, after due corporate action, hereby informs the Trustees of the German External Loan 1924:

- "(a) That it is cognisant of the terms of the General Bond securing the said External Loan, and that insofar as it is concerned it will give full regard thereto:
- "(b) That it recognises that the current service of the interest and redemption of said Loan constitutes a first charge against the Annuity Trust Account at the Bank into which are to be paid all sums payable by the German Reich under the terms of the Report of the Committee of Experts dated June 7, 1929, and the Agreement with Germany executed at The Hague on January 20, 1930, and that it constitutes specifically a first charge on the non-postponable portion of the German Annuity payments into said Annuity Trust Account:
- "(c) That it recognises and agrees that before the disbursement out of said Annuity Trust Account of any sums whatsoever, whether out of the unpostponable or postponable portion of the Annuity or whether for the service of any bonds or securities which may hereafter be issued pursuant to the provisions of said Report of June 7, 1929, or pursuant to the Agreements entered into at The Hague on January 20, 1930, or for any other purposes, full provision shall first be made out of said Annuity Trust Account for the current service of the German External Loan 1924 in absolute priority over any other disbursements from said Account:
- "(d) That it has taken note of the arrangement between the Government of the German Reich and the Trustees of the German External Loan 1924, with respect to the administration of the German revenues which constitute a collateral security for said Loan (which arrangement is set out in Annex XI to the Agreement with Germany executed at The Hague on January 20, 1930) and has also taken note of the other articles and provisions with reference to said Loan contained in said Agreement and the Annexes thereto; and, having so taken note, hereby declares that regard shall be had by the Bank for International Settlements to the purposes contemplated by said arrangements and instruments respectively, insofar as lies within the province and powers of this Bank."

At its meeting on May 17, 1930, the Reparation Commission also adopted the following decision, which was officially communicated to the Trustees of the Loan:

"The Reparation Commission takes note of the contents of Article XIII of the Agreement with Germany executed at The Hague on January 20, 1930, and of Annex XI to said Agreement and the other Articles and provisions with reference to said Loan contained in said Agreement and the Annexes thereto, and also of the Notification from the Bank for International Settlements to the Trustees for the German External Loan 1924; and having so taken note, hereby declares, in furtherance of the intent of the previous action taken by it in

connection with the absolute priority of the service of said Loan, that in so far as the Reparation Commission is concerned regard shall be had to the purposes contemplated by these instruments, and any necessary measures taken to give effect thereto in so far as lies within the province and powers of the Commission."

In compliance with the provisions of Annex XI to The Hague Agreement of January 20, 1930, regarding the securities for the German External Loan, 1924, the Trustees have opened at the Reichsbank, Berlin, as from the close of business May 17, 1930, an account in the name of the "Bank for International Settlements, for the account of the Trustees of the German External Loan, 1924". The Trustees have requested the German Government as from that date to remit to this account the gross revenues of the German Reich from the customs and from the taxes on tobacco, beer and sugar, and the net revenue from the spirits monopoly, and also the proceeds of such additional revenues as the German Government may subsequently assign as collateral guarantees pursuant to the terms of paragraph 132 of the Annexes to the Young Plan, and the provisions of Annex II to The Hague Agreement of January 20, 1930. The Trustees have been officially advised, in reply, that the account at the Reichsbank has been duly opened and that the necessary instructions have been given for the remission to it of the revenues in question.

Pursuant to the provisions of Annex XI to The Hague Agreement of January 20, 1930, and until further action by the Trustees, the above-mentioned account is governed by the following instructions:

- "(a) As soon as on or after the first of each month a sufficient number of reichsmarks has been received in the account of the Trustees to cover the amount of foreign currency required for the monthly instalment of the service of the interest on and the redemption of the loan (including in such sum all charges, commissions or other payments to be made by the German Government in connection with said loan) which is payable pursuant to the terms of the General Bond on the next succeeding 15th of each said month, the Reichsbank shall be authorised thereupon to release to the German Government, or its order, all reichsmark sums, being the remainder of the monthly proceeds of the revenues thereafter entering into the Trustees' account until the first day of the next month immediately succeeding, when there shall again be similarly retained in the account of the Trustees a sufficient number of reichsmarks to cover the current monthly loan service instalment and there shall be similarly released for the remainder of the month the balance of said reichsmark sums, such continuing system of monthly retention and release to be repeated month after month during the life of the Loan, subject to revocation or modification by the Trustees as provided below in Article IV.

- “(b) On the 15th of each month, if and when the foreign currency instalment then due has been paid, the reichsmark sum previously blocked as cover therefor shall be released from the account of the Trustees and placed at the disposition of the German Government.
- “(c) If prior to the 15th of any month the German Government choose to anticipate the foreign currency payment payable on the 15th, then as soon as such payment is made to the Trustees the reichsmarks blocked as cover therefor will be released from the account of the Trustees and placed at the disposition of the German Government.”

In this connection the Reichsbank was specifically advised that since the service of the Loan for the month of May, 1930, had already been arranged by the Agent General for Reparation Payments, the assigned revenues received in the account “Bank for International Settlements, for the account of the Trustees of the German External Loan, 1924”, up to and including May 31, 1930, might be released to the German Government as and when received, so that the first retention of the revenues would commence June 1, 1930.

f. The Coming into Force of the Young Plan.

The Young Plan came into force on the afternoon of May 17, 1930, in virtue of a joint report of the Reparation Commission and the Chairman of the Kriegslastenkommission as provided in the final clause of The Hague Agreement of January 20, 1930. The text of the joint report is as follows:

“WHEREAS by the final clause of the Agreement made at The Hague the twentieth day of January 1930 by the duly authorised representatives of the Government of the German Reich, the Government of His Majesty the King of the Belgians, the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of Canada, the Government of the Commonwealth of Australia, the Government of New Zealand, the Government of the Union of South Africa, the Government of India, the Government of the French Republic, the Government of the Greek Republic, the Government of His Majesty the King of Italy, the Government of His Majesty the Emperor of Japan, the Government of the Republic of Poland, the Government of the Republic of Portugal, the Government of His Majesty the King of Roumania, the Government of the Czecho-Slovak Republic, and the Government of His Majesty the King of Yugoslavia, relative to the Experts’ Plan of 7th June 1929, therein, together with the said agreement of 20th January 1930 and the Protocol of the 31st August 1929, called the New Plan, it is provided that:

“The New Plan will come into force and will be considered as having been put into execution on the date on which the Reparation Commission and the Chairman of the Kriegslastenkommission have agreed in reporting:

- (1) The ratification of the present Agreement by Germany and the enactment of the German Laws in accordance with the relative Annexes.

(2) The ratification of the present Agreement by four of the following Powers, that is to say, Belgium, Great Britain, France, Italy and Japan.

(3) The constitution of the Bank for International Settlements and the acceptance by the Bank of the undertakings by it for which the present Agreement provides, and also its receipt of the Certificate of the German Government and the Certificate of the German Railway Company as provided in Annexes III and IV.

“Having taken note of:—

(a) The deposit of the instruments of ratification relating to the Agreement of 20th January 1930 with the Ministère des Affaires Étrangères at Paris, by Germany on 26th March 1930, by Belgium, Great Britain, France and Italy on 9th May 1930.

(b) The text of the German laws, dated 13th March 1930, and contained in the Reichsgesetzblatt, Teil II, No. 7, of the 19th March 1930, for the amendment of the Bank law and of the law of the Reichsbahngesellschaft.

(c) The letters of the Bank for International Settlements to the Reparation Commission and to the Kriegslastenkommission dated 16 May 1930 relative to the constitution of the Bank for International Settlements and its acceptance of the undertakings by it for which the said agreement provides, and the telegrams No. 7012 and 7013 of the 17 May 1930 of the Bank for International Settlements to the Reparation Commission and the Kriegslastenkommission relative to the debt certificate of the German Government and the certificate of the German Railway Company.

“NOW THEREFORE:—

“The Reparation Commission, as constituted for the purposes of the Treaty of Versailles when a question concerning Germany is under consideration, by the unanimous vote of its members, the Japanese Delegate to the Commission taking part in the discussion and giving his vote, on the one part, and the Chairman of the Kriegslastenkommission on the other part, hereby agree in reporting:—

(1) That the said Agreement has been ratified by Germany and that the German Laws mentioned in the said Agreement have been enacted in accordance with the relative annexes to the Agreement.

(2) That the said Agreement has been ratified by Belgium, Great Britain, France and Italy.

(3) That the Bank for International Settlements has been constituted, and that the Bank has accepted the undertakings by it for which the said Agreement provides, and also that the said Bank has received the certificate of the German Government and the certificate of the German Railway Company as provided in Annexes III and IV to the said Agreement.

"This report is made in two copies in French and two copies in English, whereof one copy in each language is retained by the Reparation Commission, and one copy in each language by the Chairman of the Kriegslastenkommission.

(Signed) F. CHAPSAL
SALVAGO RAGGI
BLANESBURGH
ROBERT E. OLDS
J. TSUSHIMA
GUTT."

RUPPEL

Upon the coming into force of the Young Plan, The Hague Agreement of January 20, 1930, provided that the amounts paid by Germany during the Transition Period in excess of the payments required of her under the Young Plan should be reimbursed to Germany; that the balances of the creditor Powers standing to their credit with the Agent General for Reparation Payments, as well as the functions of the Dawes Plan organizations and the Reparation Commission which were necessitated by the New Plan, should be transferred to the Bank for International Settlements; that the organizations established under the Dawes Plan and the relations of the Reparation Commission with Germany should come to an end; that certain documents of the Reparation Commission and the Office for Reparation Payments should be transferred to the Bank for International Settlements; and that the obligations given by Germany under the Dawes Plan, as well as the earlier obligations of Germany, excepting, of course, the German External Loan, 1924, should be destroyed. The action taken in respect of these provisions is described in the sections immediately following.

1. The Settlement of the Accounts with Germany.

Annex II, paragraph 3. to The Hague Agreement of January 20, 1930, provided that upon the coming into force of the new Plan the accounts of the Transition Period should be closed and the excess payments made by Germany during the Transition Period, as already explained, should be reimbursed to Germany. The exact provisions were as follows:

"(i.) As soon as the New Plan has been put into force the accounts of the transitional period referred to in Annex III, Article I (1) and (2) to The Hague Protocol of the 31st August, 1929, will be closed. Sums in fact paid by Germany during that period in excess of the amounts due by her during the same period, whether under the fifth annuity of the Dawes Plan or under the New Plan, and the provisions of § II of Annex III and § I of Annex IV of The Hague Protocol, will be reimbursed to Germany.

"(ii.) For the whole of the period during which the Agent-General for Reparation Payments has had such a surplus at his disposal, interest will be credited to Germany in so far as the Agent-General has received interest by the investment in reichsmarks of the sums at his disposal up to the amount of that surplus; interest will be debited to Germany in so far as, and for the period during which, the payments made by

her have been less than those which she would have made if the New Plan had been put into force on the 1st September, 1929, regard being had to the sums referred to in the two following paragraphs; this interest will be calculated at a rate equal to that of the average interest produced by the total surplus to be reimbursed to Germany.

"(iii.) The sum of six million reichsmarks referred to in § 2 of Annex III to The Hague Protocol is to be deemed due by Germany on the day on which the Agent-General for Reparation Payments received from Germany payments in excess of the amounts due under the New Plan sufficient to cover that sum.

"(iv.) The sum of thirty million reichsmarks referred to in § 1 of Annex IV to The Hague Protocol is to be deemed due by Germany as follows: —

5 million R. M. on 20th September, 1929.

" " " 20th October, "

" " " 20th November, "

" " " 20th December, "

the balance (10 million R.M.) on the 31st December, 1929.

"(v.) The balance of the above interest account will be settled when the principal sum due to Germany is reimbursed in accordance with the complete settlement of accounts to be approved by the Small Special Committee.

"(vi.) This settlement of accounts is without prejudice to the right of the German Government to recover any savings made on the amount of six million reichsmarks referred to in paragraph (iii) above by the Reparation Commission and the Organisations of the Dawes Plan whose expenses have hitherto been covered by the Dawes Annuities. The amount of these economies, if any, will be notified and paid to the German Government as soon as the Reparation Commission is in a position to do so."

It will be observed that under these provisions Germany was to be credited, subject to certain limitations, with interest received by the Agent General from investments made by him in reichsmarks of the sums at his disposal up to the amount of Germany's excess payments; and Germany likewise was to be debited with interest in respect of the period during which her payments were less than those which she would have made if the new Plan had been put into force on September 1, 1929, subject to the approval of the accounts by the small Special Committee. On May 14, 1930, the Agent General submitted to the small Special Committee the accounts with Germany for the period September 1, 1929, to May 17, 1930, the development of which has been described in an earlier section of this chapter. Summarized, the account was as follows:

	Reichsmarks
Surplus to be reimbursed to Germany	361,984,433.15
Interest to be credited	
to Germany	7,303,988.27
Interest to be debited	
to Germany	66,344.85
Net interest to be credited to Germany	7,237,643.42
Total amount to be reimbursed to Germany	369,222,076.57

On May 17, 1930, the small Special Committee took the following decision:

"The Committee unanimously approves the principles and procedure applied in the appended draft settlement of accounts drawn up for the period September 1, 1929, to April 30, 1930, and has selected the alternative solution indicated as formula 'D' 'b' in the said draft for the determination of the rate of interest to be debited to Germany.

"It has decided to invite the Agent General for Reparation Payments to transfer to the German Government, as soon as the New Plan comes into force, the amount which appears as due to Germany according to the above-mentioned settlement of accounts duly completed in conformity with the same principles and procedure for the period after April 30, 1930, the statement of the final accounts having been approved by Mr. Kiuchi and by Dr. Ruppel acting in the name of the Committee."

At the close of business May 17, 1930, pursuant to the foregoing decision, the Treasury certificates of the Reich held by the Agent General in the nominal amount of 361,000,000 reichsmarks were repaid by the German Government, the proceeds were deposited in the Agent General's account with the Reichsbank, and the Agent General, under the authority of the Transfer Committee, reimbursed to Germany the sum of 369,222,076.57 reichsmarks.

2. Final Transfers of Funds.

The Hague Agreement of January 20, 1930, contemplated that upon the coming into force of the Young Plan the cash and investments representing the balances standing to the credit of the creditor Powers out of the funds received by the Agent General under the Dawes Plan and during the Transition Period under The Hague Agreements were to be transferred to the Bank for International Settlements at Basle. The Reparation Commission on May 14, 1930, transmitted to the Agent General for Reparation Payments the following specific instruction to this effect, signed by the duly authorized representatives of the creditor Powers:

"The representatives of the Powers concerned are in agreement that the Agent General for Reparation Payments should be invited to transfer on the date on which the New Plan comes into force to the Bank for International Settlements, under arrangements previously agreed upon with the Bank, the amounts of cash and investments standing on his books to the credit of the creditor Powers in accordance with a balance sheet to be prepared by him as of the day on which the New Plan is to come into force."

It will be recalled that under the Finance Ministers' Agreement of January 14, 1925, the 55,000,000 gold marks per annum to be paid to the United States of America in extinguishment of the principal sums outstanding on account of the costs of the United States Army of Occupation were constituted a first charge on cash made available for transfer by the Transfer Committee out of the Dawes Annuities, after providing for the service of the German

External Loan, 1924, and the costs of Interallied Commissions. At the meeting of the Reparation Commission on May 17, 1930, the Unofficial Observer of the United States of America made the following statement:

"The Government of the United States, although maintaining its position regarding its existing rights as stated to the Reparation Commission on October 3, 1929, makes no objection to the turning over to the Bank for International Settlements of the funds now in the Agent General's hands; and, in so far as these funds are concerned, the United States releases the Agent General from his responsibility in respect of priorities of the United States under existing arrangements."

Prior to preparing the statement of accounts referred to in the foregoing decision, the Agent General, at the close of business May 17, 1930, made the two following payments, which had been authorized by the Transfer Committee:

(a) In accordance with the instructions forwarded by the Reparation Commission on May 2, 1930, from the duly authorized representatives of the Belgian, British and French Governments requesting that the balance in the Reserve Fund for costs of occupation upon the coming into force of the Young Plan be put at the disposal of the French Government, 14,074,857.99 reichsmarks were transferred to the French Government.

(b) In accordance with the instructions of the British Government, dated February 8, 1930, and of the French Government, dated April 8, 1930, the balances in the accounts of the Agent General representing funds blocked for the repayment of vouchers not yet presented under the earlier methods of administering the British and French Reparation Recovery Acts, respectively, were to be paid to the German Government on the coming into force of the Young Plan. At the close of business May 17, 1930, the Agent General paid these balances to the German Government in the amount of 1,477,201.97 reichsmarks, of which the British balance was 91,239.22 reichsmarks, and the French balance 1,385,962.75 reichsmarks.

In preparing the statement of accounts the Agent General, with the assent of the Reparation Commission, included in the final consolidated balance sheet, expressed in reichsmarks, the amounts standing to the credit of the creditor Powers at the close of business May 17, 1930, out of the funds received both (a) under the Dawes Plan and (b) during the Transition Period under The Hague Agreements. The consolidated balance sheet is attached to this report as Exhibit XXV.

The cash and investments held by the Agent General for Reparation Payments on the coming into force of the Young Plan, as well as their distribution among the creditor Powers, are shown by the following figures taken from the consolidated balance sheet:

CASH AND INVESTMENTS		Reichsmarks
At the Reichsbank		
Cash		73,716,807.12
At the Federal Reserve Bank of New York		
Cash	\$ 99,413.63	416,692.23
Investments	10,990,160.47	46,065,257.61
At the Bank of England		
Cash	£ 4,026.8.2	82,017.94
Investments	3,002,215.17.5	61,155,137.29
At the Bank of France		
Cash	F.F. 113,623.57	18,679.71
Investments	7,525,375.10	1,237,171.67
Total		182,691,763.57

DISTRIBUTION

France	142,429,327.35
Great Britain	10,922,298.27
Italy	4,375,974.65
Belgium	4,653,539.77
Yugoslavia	10,488,375.60
Rumania	1,114,382.47
Japan	7,952,313.65
Portugal	752,414.29
Greece	986.22
Poland	2,151.30
Total	182,691,763.57

The cash and investments shown in the foregoing balance sheet were transferred, under the authority of the Transfer Committee, at the close of business May 17, 1930, to the Bank for International Settlements, Basle, in its accounts at the Reichsbank, the Federal Reserve Bank of New York, the Bank of England and the Bank of France, respectively, and thereupon the general account of the Agent General for Reparation Payments at each of these four banks was closed.

In connection with the transfer, the Reparation Commission on May 17, 1930, took the following decision:

"It was decided that upon transfer of the balances remaining in the hands of the Agent General for Reparation Payments pursuant to the Commission's decisions and upon presentation by him of audited statements of account covering his transactions, he would be fully exonerated and discharged from any liabilities whatsoever in relation to the administration of funds received by him under the Dawes Plan and during the Transition Period under The Hague Agreements."

The statements of account of the Agent General covering the administration of the funds received by him under the Dawes Plan and during the Transition Period under The Hague Agreements for the period April 1 to May 17, 1930, were audited by Messrs. Price, Waterhouse & Co. of Berlin, and have been transmitted by the Agent General for Reparation Payments to the Reparation Commission.

3. *Transfer of Functions to the Bank for International Settlements.*

Article IV of The Hague Agreement of January 20, 1930, provides as follows:

"From and after the date on which the New Plan comes into force, the Office for Reparation Payments and the organisations in Berlin connected therewith shall be abolished and the relations with Germany of the Reparation Commission shall come to an end.

"Under the régime of the New Plan only those of the functions of these organisations the maintenance of which is necessitated by the New Plan will continue in existence; these functions will be transferred to the Bank for International Settlements by the 'Small Special Committee'; the Bank for International Settlements will exercise them within the conditions and limits of the New Plan in conformity with the provisions of its Statutes."

In order to effect the transfer of functions thus contemplated the small Special Committee at its meeting on May 17, 1930, made the following declaration:

"The Committee

Being duly constituted in accordance with the last paragraph of Annex V to the Young Plan;

Acting in pursuance of the provisions of Article IV of the Agreement with Germany on the 20th January 1930, according to which:

'From and after the date on which the New Plan comes into force, the Office for Reparation Payments and the organisations in Berlin connected therewith shall be abolished and the relations with Germany of the Reparation Commission shall come to an end.

'Under the régime of the New Plan only those of the functions of these organisations the maintenance of which is necessitated by the New Plan will continue in existence; these functions will be transferred to the Bank for International Settlements by the "'Small Special Committee"''; the Bank for International Settlements will exercise them within the conditions and limits of the New Plan in conformity with the provisions of its Statutes.'

"And taking into consideration

- a) the form of Trust Agreement appended to the said Agreement with Germany (Annex VIII) according to which:
'The Creditor Governments in connection with the carrying out of the New Plan as defined in The Hague Agreement of January, 1930 (hereinafter called the Plan), desire jointly to appoint the Bank for International Settlements their joint and sole trustee to receive, manage and distribute the annuities payable by Germany, and to perform other functions with respect thereto, all as provided by the Plan; and within the limits of the Statutes of the Bank.'

- b) Article IV of the Regulations for Deliveries in Kind (Annex IX to the said Agreement), whereby: 'the Creditor Governments concerned and the German Government remain responsible for the approval of contracts and entrust the management of the funds reserved for deliveries in kind to the Bank for International Settlements';

"Hereby declare that the functions of the Reparation Commission, of the Office for Reparation Payments and of the Organisations in Berlin connected therewith, the maintenance of which is necessitated by the New Plan, are in virtue of the present declaration, transferred on the date when the New Plan is put into execution to the Bank for International Settlements, which by Article IV of its Statutes is charged with the performance of certain duties in connection with the Plan and by the signature of the Trust Agreement has agreed 'to receive, manage and distribute the annuities payable by Germany, and to perform other functions with respect thereto, all as provided by the Plan and within the limits of the Statutes of the Bank'."

4. The Liquidation of the Office for Reparation Payments.

Article IV of The Hague Agreement of January 20, 1930, as quoted in the preceding section, provides for the abolition of the Office for Reparation Payments and the organizations in Berlin connected therewith upon the coming into force of the Young Plan. On May 3, 1930, the Reparation Commission, in view of the prospective termination of these organizations, took the following decision:

"The Reparation Commission requested the Agent General for Reparation Payments on the termination of his functions:

- a) To prepare accounts showing the balance, if any, remaining in his hands out of the savings realised from the funds for administrative purposes attributed, in application of the terms of the Finance Ministers' Agreement of January 14, 1925, to the Organisations set up under the Dawes Plan, and from the fund for the Costs of Commissions, mentioned in paragraph II of Annex III to The Hague Protocol of August 31, 1929;
- b) To appoint a liquidator to settle the outstanding liabilities of the Office for Reparation Payments and the Organisations in Berlin connected therewith and to transfer to the liquidator the balances in the accounts referred to in (a) above, from which such liabilities should be met;
- c) To instruct the liquidator, within three months after the coming into force of the New Plan, to prepare accounts showing the moneys received and disbursed and the balances, if any, then remaining in the respective funds, and, when the accounts had been duly audited by an independent auditor, to transmit them to the Reparation Commission together with any cash balances disclosed in the accounts."

In accordance with this decision the Agent General, upon the coming into force of the Young Plan, appointed Mr. F. A. Colenutt, Secretary of the Office for Reparation Payments, as Liquidator of the Office for Reparation Payments, and Mr. G. B. Reed, a member of the Accounting Service of the Office for Reparation Payments, as Deputy Liquidator. The terms of appointment provide that in the event of the Deputy Liquidator being incapacitated from acting, the Liquidator is empowered to appoint a new Deputy Liquidator in his stead; in the event of the Liquidator being incapacitated from acting, the Deputy Liquidator will become Liquidator with power to appoint a Deputy.

At the close of business May 17, 1930, the Agent General for Reparation Payments under authority of the Transfer Committee transferred to the Liquidator the balances in his cost of administration accounts in the Reichsbank, the Bank of England and the Bankers Trust Company, Paris, consisting of 349,413.86 reichsmarks, and the equivalent of 409,708.98 reichsmarks in foreign currencies. The administration accounts of the Agent General at these banks were thereupon closed.

It will be observed that the Liquidator, upon the termination of his work, which is to be completed within three months after the coming into force of the Young Plan, is to transmit his final accounts to the Reparation Commission together with any balances remaining in his hands.

5. Disposition of Documents.

Annex II, Paragraph 1, of The Hague Agreement of January 20, 1930, provides as follows:

"The transfer to the Bank for International Settlements of the documents belonging to the Reparation Commission and the Organisations of the Dawes Plan, will take place in so far only as may be deemed by the small Special Committee referred to in Annex V of the Experts' Report of the 7th June, 1929 (§ 166) to be strictly necessary for the exercise of the functions of the Bank for International Settlements."

The small Special Committee at its meeting on May 17, 1930, took the following decision in regard to the transfer of the documents of the Reparation Commission and the Office for Reparation Payments:

"In virtue of § 1 of Annex II to the Agreement with Germany signed at The Hague on January 20, 1930, it is decided that:

- A) A complete collection of the Archives of the Experts (Young Committee) shall be transferred by the Reparation Commission to the Bank for International Settlements;
- B) 1. The following documents shall be placed by the Office for Reparation Payments at the disposal of the Bank for International Settlements to be retained if it sees fit by the latter:

Deliveries in Kind commitment registers, reparation cash books, journals, ledgers and one complete set of copy debit notes, for the period from September 1, 1929.

Current Contract files.

Complete set of the monthly accounts of the Agent General.

Exchange rates books and complete set of Reichsbank rates sheets.

Investments Register.

Inventory Register.

Books and papers relating to German External Loan 1924 (to be specified by the Trustees for the Loan).

2. Of the following economic documents of the Office for Reparation Payments, the Bank will retain only those selected by Dr. Ruppel (or his representative) and a representative of the Bank:

Economic Service documents,

Economic Service notes,

Economic Service files on statistical subjects,

German budget, etc.,

Press clippings of the Economic Service,

Credit and financial weekly summaries,

Press communiqués,

German Press summaries,

Bound Reports of Agent General for Reparation Payments,

Bound copies of Experts' Plan 1924 and other documents,

Copies of the Young Plan,

Copies of The Hague Protocol of August 1929 and Hague Agreement of January 1930.

- C) The above documents will be transferred to the Bank for International Settlements as soon as possible.

- D) Should the Bank for International Settlements wish at any time to consult any of the documents placed in the National Archives of the French Republic by the Reparation Commission or by the Office for Reparation Payments, it will have to submit a request to the National Archives with the consent of the Governments concerned. As regards the documents belonging to the Archives of the German Government, the Bank will in case of need have to apply to that Government."

In accordance with the decision of the small Special Committee the Agent General for Reparation Payments on May 20, 1930, advised the President of the Bank for International Settlements that the documents referred to under paragraph B (1) of the above decision were held at the disposal of the Bank for International Settlements, and that the documents mentioned in paragraph B (2)

of the foregoing decision were held at the disposal of the Bank for International Settlements subject to a selection by Dr. Ruppel (or his representative) and a representative of the Bank.

With respect to the remaining documents of the Office for Reparation Payments, the Transfer Committee at its meeting on May 17, 1930, took the following decision:

"The Transfer Committee decided to ask the Secretary, upon the termination of the functions of the Committee, to transmit to the Reparation Commission a complete set of documents relating to the activities of the Transfer Committee, comprising agendas and minutes as well as documents submitted at each meeting of the Committee, also a complete set of the informatory documents prepared for the Transfer Committee by its Economic Service; all to be turned over by the Reparation Commission to the Archives Nationales in Paris under the same conditions as have been arranged in respect of the archives of the Reparation Commission."

6. Cancellation and Destruction of Germany's Former Obligations.

Paragraph 2, Annex II of The Hague Agreement of January 20, 1930, provides as follows:

"(i.) Germany's previous obligation, except in respect of the German External Loan 1924, being entirely replaced by the obligation laid down in the New Plan, the German A, B and C bonds, the bonds of the Deutsche Reichsbahn-Gesellschaft, the German Industrial bonds and the bonds of the Bank für Deutsche Industrie Obligationen are finally cancelled and shall be destroyed.

"(ii.) The claims of Germany against Austria, Hungary and Bulgaria referred to in Article 261 of the Treaty of Versailles and the debts of Germany referred to in Articles 213 of the Treaty of St. Germain, 196 of the Treaty of Trianon and 145 of the Treaty of Neuilly are finally cancelled and the securities and documents relating thereto shall be destroyed.

"The German A, B and C Bonds and the Bonds of the instruments above-mentioned will be settled by the small Special Committee."

In respect of the foregoing provisions, the small Special Committee at its meeting on May 17, 1930, took the following decision:

"The German A, B and C Bonds and the Bonds of the Deutsche Reichsbahn-Gesellschaft shall be destroyed at the Office of the Reparation Commission in the presence of representatives of the Committee and of the parties concerned.

"The German Industrial Bonds and the Bonds of the Bank für Deutsche Industrie Obligationen shall be destroyed after agreement between the Trustee for Industrial Debentures and the parties concerned.

"The proofs of claims referred to under (ii) above so far as they have been transferred to the Reparation Commission shall be incinerated by the Banque de France in the presence of representatives of the Committee and of the parties concerned.

"These operations will take place at dates as early as possible after the coming into force of The Hague Agreement. Proces-Verbaux shall be drawn up and forwarded to each of the parties concerned.

"The German, Austrian, Hungarian and Bulgarian Governments respectively shall be invited to undertake, with the least possible delay, the destruction of such of the proofs of claims referred to in (ii.) above as are in its possession. This destruction will be carried out in the presence of representatives of the other three Governments mentioned, should those Governments so desire, and each Government will be invited to take the necessary steps to convene in due course the representatives of those Governments.

"A proces-verbal recording the destruction will be drawn up by each Government and will be forwarded to the Chairman of the Small Special Committee who will deposit it in the Archives of the Government of the French Republic."

In accordance with the foregoing decision, the German A, B and C bonds and the bonds of the Deutsche Reichsbahn-Gesellschaft were destroyed at the Office of the Reparation Commission in Paris, on May 18, 1930, and the German Industrial bonds and the bonds of the Bank für Deutsche Industrie-Obligationen were destroyed in the Office of the Reichsschuldenverwaltung in Berlin, on May 19, 1930. Minutes recording the destruction were drawn up in each case and forwarded to the Chairman of the small Special Committee.

III. The Work of the Transfer Committee.

All of Germany's payments under the Dawes Plan, from whatever source derived, were made in the form of deposits at the Reichsbank to the credit of the Agent General for Reparation Payments. Withdrawals from this account could be made only by the Agent General, under the control, however, of the Transfer Committee. The Transfer Committee in turn was charged with the duty of regulating the execution of the programmes for deliveries in kind and Reparation Recovery Act payments in such a manner as to prevent difficulties arising with the foreign exchange, of controlling the transfer of cash to the creditor Governments by purchase of foreign exchange, and generally of so acting "as to secure the maximum transfers, without bringing about instability of currency".

The Experts of the Dawes Committee stated that "experience, and experience alone, can show what transfers into foreign currencies can in practice be made". The record of the transfer of the Dawes Annuities is now complete, and the work of the Transfer Committee is accordingly presented in this chapter with appropriate tables and diagrams illustrating the development of reparation transfers during the whole period of the Dawes Plan. Special attention is given to the fifth Annuity year, in which transfers were made to a total of 2,453 million gold marks, amounting to substantially the full standard Annuity under the Dawes Plan and to more than any Annuity under the Young Plan.

This chapter also covers the transfers made during the Transition Period from September 1, 1929, to May 17, 1930, out of the funds received by the Agent General under The Hague Protocol of August 31, 1929, and The Hague Agreement of January 20, 1930, for account of the Young Plan. During this period transfers to the creditor Powers were placed, in effect, on the basis provided by the Young Plan, but the system of payment and transfer established by the Dawes Plan remained in full operation. Germany continued to make the required payments in reichsmarks to the credit of the Agent General's account at the Reichsbank and the Transfer Committee exercised the same functions in respect to transfer as under the Dawes Plan. In other words, the entire first Annuity under the Young Plan, and also one-sixth of the second Annuity, were paid by Germany in accordance with the system established by the Dawes Plan, and the transfer of these payments, up to the close of business May 17, 1930, remained under the control of the Transfer Committee. The new Plan came into force on that date, and with the final transfers to the Bank for International Settlements, the functions of the Transfer Committee were brought to an end.

a. Summary of Transfer Operations.

The work of the Transfer Committee during the period covered by the present Report falls naturally into the two main divisions already indicated, which have been followed in the two previous chapters in considering the administration of the payments received from Germany. First, there are the transfers made out of the funds derived from the Annuities under the Dawes Plan, during

the fifth Annuity year and then during the Transition Period from September 1, 1929, to May 17, 1930; and, second, the transfers made during the same Transition Period for account of the Young Plan, pursuant to The Hague Protocol of August 31, 1929, and The Hague Agreement of January 20, 1930.

1. Under the Dawes Plan.

The transfers made under the Dawes Plan are divided between the fifth or standard Annuity year, ended August 31, 1929, and the period of transition which followed, from September 1, 1929, to May 17, 1930, during which the funds remaining available to the creditor Powers out of the Dawes Annuities were gradually liquidated.

(a) During the fifth Annuity year.

The table below shows the funds available for transfer during the fifth Annuity year and the transfers actually made during this period under authority of the Transfer Committee:

AVAILABLE FUNDS	Gold Marks
Balance as at August 31, 1928.	189,488,944.86
Receipts in completion of the fourth Annuity, in September, 1928:	
Transport tax	24,174,000.—
Interest and amortization on German Railway bonds	55,000,000.—
Receipts on account of the fifth Annuity, during the period September 1, 1928, to August 31, 1929:	
Budgetary contribution	1,250,000,000.—
Transport tax	265,833,333.26
Interest and amortization on German Railway bonds	605,000,000.—
Interest and amortization on German industrial debentures	300,000,000.—
Interest received	7,759,391.54
Gain in exchange	736,758.96
Total	2,697,992,428.62
Deduct:	
Discount on advance payments for service of	
German Railway bonds	8,070,711.60
German industrial debentures	20,531.07
Total available for transfer	2,689,901,185.95
TRANSFERS	
In foreign currencies:	
Service of German External Loan, 1924	89,315,388.27
British Reparation Recovery Act	334,030,161.44
French Reparation Recovery Act	67,663,830.32
Deliveries under agreement to the United States of America	45,150,573.84
Settlement of balances owing for deliveries made or services rendered by Germany prior to September 1, 1924	600,072.72
Transferred in cash	876,311,209.15
Costs of Inter-Allied Commissions ...	5,446,766.49
Total	1,418,518,002.23
By reichsmark payments for:	
Deliveries in kind	985,116,316.54
Armies of occupation	41,836,060.39
Costs of Inter-Allied Commissions ...	6,071,792.70
Miscellaneous objects	1,300,041.51
Total transfers	2,452,842,213.37
CASH BALANCE as at August 31, 1929	237,058,972.58

The total transfers made during the fifth Annuity year amounted, in round figures, to 2,453 million gold marks, as against reparation payments actually received from Germany within the year to a total of 2,500 million gold marks. Transfers made during the year were thus about 98 per cent of the year's receipts. In addition, about 8 million gold marks were paid as discount on the advance payments for the service of the Railway bonds and industrial debentures, while on the other side about 8.5 millions were received in the form of interest and gain in exchange. On August 31, 1929, the cash balance to the Agent General's credit amounted, in round figures, to 237 million gold marks, an increase of 47.5 millions as compared with the available balance at the beginning of the year. Of this balance about 170 million gold marks were in foreign currencies held abroad, and about 67 million gold marks were on deposit at the Reichsbank in reichsmarks. On August 31, 1929, as against the total balance of 237 millions in hand on that date, there were outstanding commitments amounting to about 201 million gold marks, of which 79 millions were in accounts payable and 122 millions in outstanding liabilities under approved contracts for deliveries in kind.

Out of total transfers of 2,452,842,213.37 gold marks during the fifth Annuity year, the transfers in foreign currencies amounted to 1,418,518,002.23 gold marks, or 57.83 per cent, while the amounts transferred by means of reichsmark payments within Germany aggregated 1,034,324,211.14 gold marks, or 42.17 per cent. These percentages illustrate the further development of the tendency, noted in previous Reports, towards the transfer of an increasing proportion of the Annuity in foreign currencies.

(b) During the Transition Period, from September 1, 1929, to May 17, 1930.

The transfers made during this period represent, in effect, the liquidation of outstanding balances under the Dawes Plan, as distinguished from the regular operation of the Plan. The figures cannot be compared, of course, with the figures for the five previous years of the Plan, but they are important as completing the record of transfers under the Dawes Plan.

The table below shows the funds derived from the Annuities under the Dawes Plan which were available for transfer after the end of the fifth Annuity year, consisting of the balance in hand on August 31, 1929, the amounts paid by Germany in September, 1929, in completion of the fifth Annuity, and the interest received on investments, less exchange differences. The table shows also the transfers actually made from these funds during the period from September 1, 1929, to May 17, 1930, under authority of the Transfer Committee:

AVAILABLE FUNDS		Gold Marks
Balance as at August 31, 1929		237,058,972.58
Receipts in completion of the fifth Annuity, in September, 1929:		
Transport tax		24,166,666.74
Interest and amortization on German Railway bonds ..		55,000,000.—
Interest received		4,636,260.31
	Total	320,861,899.63
Deduct:		
Loss in exchange		491,736.43
	Total available for transfer	320,370,163.20

TRANSFERS

In foreign currencies:

Service of German External Loan, 1924	Dr.	6,036,548.79	
British Reparation Recovery Act...		31,956,481.02	
French Reparation Recovery Act...		11,997,249.46	
Deliveries under agreement to the United States of America		1,480,378.31	
Transferred in cash		62,030,256.56	
Costs of Inter-Allied Commissions ..	Dr.	17,511.02	101,410,305.54

By reichsmark payments for:

Deliveries in kind		206,828,344.10	
Armies of occupation	Dr.	2,566,143.96	
Costs of Inter-Allied Commissions ..	Dr.	32,307.61	
Miscellaneous objects		2,296.41	204,232,188.94
	Total transfers		305,642,494.48

CASH BALANCE as at May 17, 1930..... 14,727,668.72

The transfers made during the period from September 1, 1929, to May 17, 1930, out of funds derived from the Annuities under the Dawes Plan, amounted to 305,642,494.48 gold marks, of which 101,410,305.54 gold marks, or 33.18 per cent, were transferred in foreign currencies, while the amounts transferred by means of reichsmark payments within Germany aggregated 204,232,188.94 gold marks, or 66.82 per cent. Under the heading of transfers in foreign currencies there are two counter-entries, one of 6,036,548.79 gold marks on account of the German External Loan, 1924, representing mainly the reimbursement during the Transition Period of the advance made out of fifth Annuity funds in August, 1929, on account of the service of the Loan for the period after August 31, 1929, and the interest received on balances held by the Trustees for the Loan, applicable in reduction of the cost of service of the Loan paid out of the fifth Annuity; and the other of 17,511.02 gold marks representing reimbursements in respect of the costs of the Experts' Committee. Among the transfers by reichsmark payments there are also included two counter-entries, one of 2,566,143.96 gold marks representing reimbursements received in October, 1929, from the Reserve Fund for the costs of occupation, and the other of 32,307.61 gold marks representing reimbursements in respect of the expenses of the Inter-Allied Rhineland High Commission and the Experts' Committee.

(c) *Summary of the Dawes Plan, September 1, 1924, to May 17, 1930.*

The transfer operations from September 1, 1924, to May 17, 1930, covering all five Annuities under the Dawes Plan, are summarized in round millions in the following table. The table shows not only the total transfers made but also the transfers made in foreign currencies and by reichsmark payments. The five Annuities aggregated 7,970 million gold marks, and the interest received during the period, including net gains in exchange, amounted to a further 23 million gold marks, making a total fund available for transfer of about 7,993 million gold marks. The total transfers made during the period were 7,949 million gold

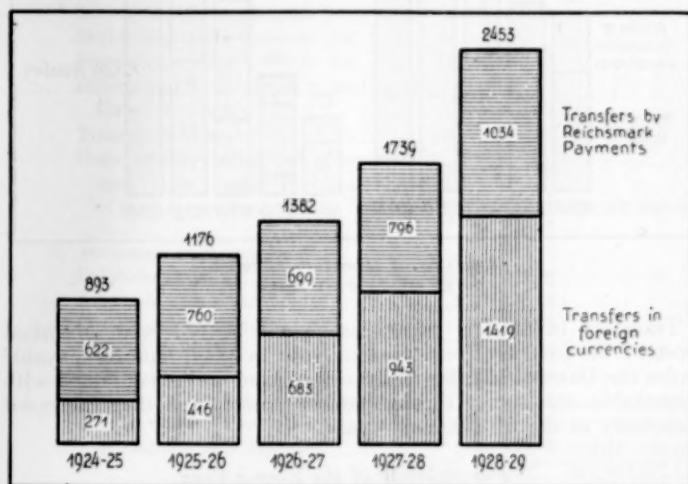
Summary of transfers made under the Dawes Plan, from September 1, 1924, to May 17, 1930 (In millions of gold marks)	Annuities received	Transfers made				
		In foreign currencies		By reichsmark payments		Total transfers
			%		%	
First Annuity year	1,000	271	30.37	622	69.63	893
Second Annuity year	1,220	416	35.35	760	64.65	1,176
Third Annuity year	1,500	683	49.45	699	50.55	1,382
Fourth Annuity year	1,750	943	54.23	796	45.77	1,739
Fifth Annuity year	2,500	1,419	57.83	1,034	42.17	2,453
September 1, 1929, to May 17, 1930	—	102	33.18	204	66.82	306
Total	7,970					
Total interest received and net gains in exchange	23					
Totals	7,993	3,834	48.23	4,115	51.77	7,949
Bank balances and other funds available upon demand as at May 17, 1930						15
Total discount on advance payments of service of Railway bonds and industrial debentures						29
Total						7,993

marks, of which 3,834 million gold marks, or 48.23 per cent, were transferred in foreign currencies, while 4,115 million gold marks, or 51.77 per cent, were transferred by reichsmark payments. A total of about 29 millions was paid during the five Annuity years as discount on the advance payments for the service of the Railway bonds and industrial debentures, and the balance which remained to the credit of the Powers on May 17, 1930, was covered by the final transfer on that date to the Bank for International Settlements.

The operations of the Transfer Committee in the funds derived from the Dawes Annuities showed a net gain in exchange of about 493,000 reichsmarks for the whole period from September 1, 1924, to May 17, 1930, as more fully appears from the table given in the first chapter. This figure takes account of the Annuities as a whole.

including reichsmark funds as well as investments in foreign currencies, since under the Dawes Plan all accounts have had to be kept in gold marks on the basis prescribed in the London Agreements of August, 1924, which defined the gold mark in relation to the rate for cable transfers on London. In consequence the gold mark fluctuated for accounting purposes with the fluctuations in sterling, and an element of exchange calculation was introduced even into reichsmark payments and the balances retained in Germany.

The composition of the transfers effected during the five Annuity years of the Dawes Plan is shown graphically in the following diagram. The Transition Period, from September 1, 1929, to May 17, 1930, is not included in the diagram, since during this period transfers under the Dawes Plan were on a liquidating basis, not comparable with previous years.

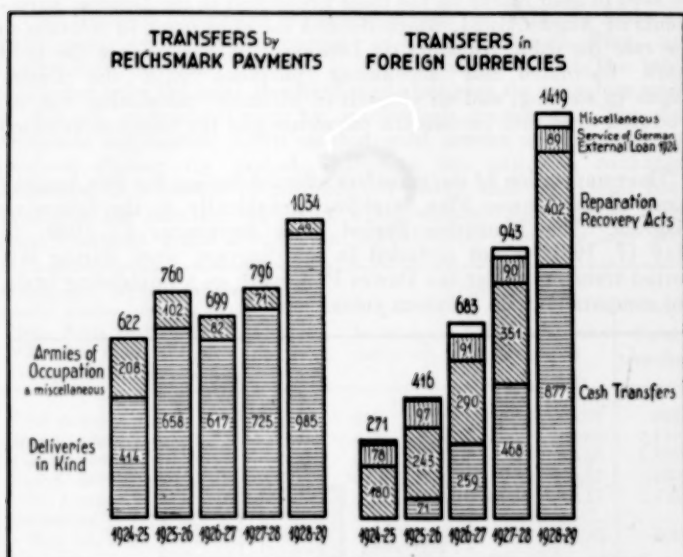


Composition of transfers effected.
(In millions of gold marks)

The transfers by reichsmark payments within Germany represent principally payments for deliveries in kind and expenses of the armies of occupation. The transfers in foreign currencies represent principally the service of the German External Loan, payments under the Reparation Recovery Acts and under the agreement with the United States of America, and direct transfers in cash. The cash transfers include payments made on account of the priority of the United States of America for army costs in arrears, as well as the cash transfers for general distribution among the creditor Powers.

The following diagram gives in graphic form, for each of the five Annuity years, but not including the period September 1, 1929, to May 17, 1930, a further analysis of the transfers by means of reichsmark payments and the transfers in foreign currencies, and

shows clearly the steady increase in the volume of transfers in foreign currencies.



Analysis of transfers effected.
(In millions of gold marks)

Transfers in foreign currencies, it will be observed, absorbed most of the increase from year to year in the Annuities payable under the Dawes Plan; but deliveries in kind were maintained with remarkable consistency throughout the period, and they increased materially in the fifth Annuity year.

2. For Account of the Young Plan.

The transfer operations which were carried on during the Transition Period for account of the Young Plan are summarized in the two statements which appear below, one covering the period from September 1, 1929, to March 31, 1930, corresponding to the first Annuity under the Young Plan, and the other covering the period from April 1 to May 17, 1930, falling within the second Annuity year of the new Plan. This division is followed in presenting the figures for available funds and transfers made, so as to distinguish clearly between the first and second Annuity years under the Young Plan. In considering the general development of the work of the Transfer Committee, however, no such division appears to be necessary, and in the later sections of this chapter the Transition Period is accordingly treated as a whole.

First, as to the period from September 1, 1929, to March 31, 1930, the following table summarizes the funds available for transfer pursuant to the Agreement upon the Transition Period and the trans-

fers actually made during these seven months under authority of the Transfer Committee:

AVAILABLE FUNDS	Reichsmarks
Allocations from funds received from Germany under the Agreement upon the Transition Period:	
For service of the German External Loan, 1924	55,490,150.83
To creditor Powers under the Agreement upon the Transition Period	742,800,000.—
Contribution to Reserve Fund for costs of occupation...	30,000,000.—
Contribution to Special Fund for expenses of commissions and of organizations under Dawes Plan	6,000,000.—
Total available for transfer....	<u>834,290,150.83</u>

TRANSFERS

In foreign currencies:

Service of German External Loan, 1924	55,490,150.83	
British Reparation Recovery Act	46,036,000.—	
French Reparation Recovery Act	21,507,000.—	
Deliveries under agreement to the United States of America	21,479,333.40	
Transferred in cash	275,857,010.93	
Costs of commissions and of organizations under Dawes Plan chargeable to fund for such expenses	<u>3,892,443.67</u>	424,261,938.83

By reichsmark payments for:

Deliveries in kind	253,122,377.16	
Armies of occupation	1,558,376.34	
Miscellaneous objects	765,567.22	
Costs of occupation chargeable to Reserve Fund	14,831,769.98	
Costs of commissions and of organizations under Dawes Plan chargeable to fund for such expenses	<u>1,367,342.88</u>	271,645,433.58
Total transfers....		<u>695,907,372.41</u>

CASH BALANCE as at March 31, 1930 138,382,778.42

The total transfers made during this period, in other words, out of the funds received under The Hague Agreements, amounted to 695,907,372.41 reichsmarks, of which 424,261,938.83 reichsmarks were in foreign currencies and 271,645,433.58 reichsmarks were utilized for payments within Germany. On March 31, 1930, the cash balance in this account stood at 138,382,778.42 reichsmarks, consisting of 15,168,230.02 reichsmarks belonging to the Reserve Fund for costs of occupation, 740,213.45 reichsmarks remaining in the Special Fund for expenses of commissions and of organizations under the Dawes Plan, and 122,474,334.95 reichsmarks available for expenditure by the creditor Powers.

Second, as to the period from April 1 to May 17, 1930, the date of the coming into force of the new Plan, the following table summarizes the funds available for transfer under The Hague Agreements and the transfers actually made under authority of the Transfer Committee:

AVAILABLE FUNDS		Reichsmarks
Balance as at April 1, 1930		138,382,778.42
Receipts from Germany:		
For service of the German External Loan, 1924	14,253,537.60	
For distribution to the creditor Powers under the Agreement upon the Transition Period	284,650,000.—	
Interest and exchange differences	3,421,529.48	
Total available for transfer....		440,707,845.50
TRANSFERS		
In foreign currencies:		
Service of German External Loan, 1924..	14,253,537.60	
British Reparation Recovery Act	21,218,228.17	
French Reparation Recovery Act	4,066,792.—	
Deliveries under Agreement to the United States of America.....	3,295,200.—	
Transferred in cash	158,715,646.05	
Costs of commissions and of organizations under Dawes Plan chargeable to fund for such expenses.....	114,745.27	201,664,149.09
By reichsmark payments for:		
Deliveries in kind.....	54,826,690.57	
Miscellaneous objects	153,796.15	
Costs of occupation chargeable to Reserve Fund	15,359,857.99	
Costs of commissions and of organizations under Dawes Plan chargeable to fund for such expenses.....	697,062.08	71,037,406.79
Total transfers		272,701,555.88
CASH BALANCE as at May 17, 1930		168,006,289.62

The transfers made during this period, in other words, amounted to 272,701,555.88 reichsmarks, of which 201,664,149.09 reichsmarks were transferred in foreign currencies and 71,037,406.79 reichsmarks were required for payments within Germany. The balance of 168,006,289.62 reichsmarks which remained on May 17, 1930, represented funds which were entirely at the disposal of the creditor Powers, and which, at their request, were transferred on that date to the Bank for International Settlements for credit to their respective accounts. This final transfer was made as to about 94.7 millions in foreign currencies, and as to about 73.3 millions in the form of reichsmark balances at the Reichsbank.

b. Transfers in Cash.

The Transfer Committee has continued to follow the policy of accumulating the foreign currencies necessary for purposes of cash transfer, as provided in the Dawes Plan, by such regular programmes of purchases as "in the judgment of the Committee the foreign exchange market will permit, without threatening the stability of the German currency". In the second and third Annuity years transfers in cash were made only in the months of April and August in connection with the half-yearly payments received in those months for the service of the German industrial debentures. Beginning with the fourth Annuity, however, in view of the larger credits then becoming available to the creditor Powers for transfer

purposes and the substantial reserves which had been accumulated by the Committee in foreign currencies, the Transfer Committee began to make cash transfers for general distribution on a regular monthly basis and this practice was continued until the end of the administration of the Dawes Plan.

In the fifth Annuity year cash transfers to the Powers were made monthly at the rate of 40 million gold marks in each of the months of September and October, 1928; 60.1 million gold marks in each of the months November, 1928, to February, 1929, inclusive, and in the month of May, 1929; 80.1 million gold marks in each of the months of March, April and June, 1929; and 100.1 million gold marks in the months of July and August, 1929. These cash transfers during the year aggregated about 821 million gold marks as compared with a total of about 405 millions in the fourth Annuity year. In addition, the Committee transferred in cash to the United States of America the dollar equivalent of 55 million gold marks in payment of her priority for army costs in arrears. With the agreement of the United States Government the transfers on account of this priority were made in monthly instalments, substantially in proportion to the monthly income available to the Annuity. At the end of the year, on August 31, 1929, after completing these various transfers in cash, the reserve in foreign currencies held by the Agent General for Reparation Payments amounted to 170,148,417.08 gold marks.

During the Transition Period the Transfer Committee continued to make monthly cash transfers out of the balances remaining to the credit of the Powers under the Dawes Plan, and also from the funds available for distribution under The Hague Agreements. The monthly amounts transferred, however, were appreciably less than in the fifth Annuity year, partly because of the reduced shares at the disposal of the creditor Powers, and partly also because of the decision of some of the creditor Powers, notably France, to limit the amounts to be received as cash transfers. Cash transfers to the creditor Powers, other than the United States of America, were made in the equivalent of about 50 million reichsmarks in September, 30.7 millions in October, 25.6 millions in November, 18.1 millions in December, 1929; 56.9 millions in January, 54.6 millions in February, 55.1 millions in March, 75.5 millions in April and 77.7 millions in May, 1930. In addition, there was transferred in cash to the United States of America the equivalent of about 6.9 million reichsmarks in each of the months of September and October, 1929; 6.1 millions in each of the months from November, 1929, to March, 1930, inclusive; 2.2 millions in April and 5.5 millions in May, 1930. These sums, with the amounts taken in each month under the special agreement with the German Government for regular payments on a basis substantially analogous to the financing of deliveries in kind, absorbed the total credits available to the United States through the month of May, 1930.

As in previous Reports the expressions "transfers in cash" and "cash transfers" refer to the transfers in foreign currencies which the Transfer Committee has made from time to time to the creditor

Powers, after conversion of German currency, under the provisions of Paragraph IV (b) of Annex 6 to the Dawes Plan, as distinguished from the other payments falling within the general description of transfers in foreign currencies, which have been made, for example, for the service of the German External Loan, for the costs of Inter-Allied Commissions, in settlement of the British and French Reparation Recovery Acts, and in financing deliveries under special agreement to the United States of America.

c. Development of Deliveries in Kind.

The general procedure for deliveries in kind and their growth since the beginning of the Dawes Plan have been described in preceding Reports. Their further development during the fifth Annuity year and during the Transition Period is summarized in the following sections. In considering the Transition Period, no distinction is drawn between the Dawes Plan and the Young Plan or between the first Annuity under the new Plan and the subsequent period from April 1 to May 17, 1930, for the reason that the contracts for deliveries in kind presented during the Transition Period have been dealt with according to the total credits available to each Power for this purpose, without attempting to allocate the contracts according to the different sources of funds.

1. During the Fifth Annuity Year.

In the fifth Annuity year deliveries in kind continued to be an important element in the transfer of reparation payments, and their volume increased substantially in accordance with the increase in the Annuity. As in previous years, these deliveries were made for the most part through commercial contracts, and there was a further increase during the year in the number and value of contracts entered into on reparation account and presented to the Transfer Committee for approval. Certain deliveries of coal and dyestuffs were also made under special agreements. Generally speaking, however, the value of special deliveries of coal has been declining ever since the second Annuity year, with the growth of the business done under the Coal Conventions between the Rhineland Westphalian Coal Syndicate and the respective creditor Powers interested in coal deliveries.

The following table gives the comparative figures of deliveries in kind contracts and the values involved during the second, third, fourth and fifth Annuity years:

Deliveries in Kind	Number of contracts	Covered by contracts	Covered by special agreements	Total
		Values in millions of reichsmarks		
Second Annuity year..	3,706	336	331	667
Third Annuity year...	4,666	669	126	795
Fourth Annuity year..	5,421	863	105	968
Fifth Annuity year....	6,972	1,149	90	1,239

Owing to the varying periods of time required for the execution of contracts, the value of deliveries in kind covered by approved contracts or special agreements during any given period could not be expected to correspond with the actual expenditures for deliveries in kind during the same period. But with the increase in the value of the contracts, the expenditures for deliveries in kind have naturally shown a similar tendency to increase, and they amounted in the fifth Annuity year to a total of 985 million gold marks as compared with totals of about 725 millions and 617 millions in the fourth and third Annuity years, respectively.

France, by reason of the importance of her share, has been the Power most interested in deliveries in kind, and during the fifth Annuity year the principal French contracts, as usual, were those for coal, coke and lignite, to a total value of about 216,561,000 reichsmarks. Two contracts of outstanding importance provided for the boring and equipment of coal mines in Lorraine at a total cost of 84,526,000 reichsmarks, and there were also contracts amounting altogether to about 104,032,000 reichsmarks for various public works. Contracts were also presented to a total value of 69,604,000 reichsmarks for ships and rivercraft; 47,429,000 reichsmarks for metallurgical machinery; 26,531,000 reichsmarks for electrical material; 21,514,000 reichsmarks for textile machinery; 20,007,000 reichsmarks for railway material; 12,682,000 reichsmarks for machine tools, 87,965,000 reichsmarks for miscellaneous machinery; 47,631,000 reichsmarks for iron, steel and other metals; 34,604,000 reichsmarks for wood pulp and paper; 22,463,000 reichsmarks for coal by-products; 20,306,000 reichsmarks for chemical fertilizers; 13,766,000 reichsmarks for other chemical products; 21,315,000 reichsmarks for sugar; 14,955,000 reichsmarks for paving stones; 10,452,000 reichsmarks for telegraph poles, railway sleepers, pit props, lumber and other wood products; 4,289,000 reichsmarks for cinematograph films; 2,682,000 reichsmarks for bricks and other refractory products; and 15,891,000 reichsmarks for miscellaneous deliveries.

Italy took the usual deliveries of coal, dyestuffs and pharmaceutical products under general agreements to the total value of 60,474,000 reichsmarks. There were also contracts for coal to the value of 54,116,000 reichsmarks and for coal by-products and miscellaneous deliveries to a total value of 1,126,000 reichsmarks.

Belgium concluded contracts for coal deliveries to a total value of 6,260,000 reichsmarks during the first six months of the fifth Annuity year, but since the end of February, 1929, Belgium has taken no coal on reparation account. A special contract of outstanding importance was passed for Belgium, providing for the delivery of continuous brakes to the Belgian railways for an estimated price of about 13,580,000 reichsmarks. Other Belgian contracts included 8,699,000 reichsmarks for chemical fertilizers; 9,588,000 reichsmarks for other chemical products; 8,076,000 reichsmarks for iron, steel and other metals; 5,149,000 reichsmarks for ships and rivercraft; 12,315,000 reichsmarks for miscellaneous machinery; 6,334,000 reichsmarks for wood pulp and other paper material; and 3,973,000 reichsmarks for miscellaneous deliveries.

The outstanding contract for Yugoslavia provided for the delivery of 110 locomotives to the value of 17,616,000 reichsmarks. The Yugoslav Government also ordered cars and other railway material to a total value of 21,523,000 reichsmarks. In addition, there were contracts to the value of 6,589,000 reichsmarks for electrical material; 4,965,000 reichsmarks for ships and rivercraft; 5,346,000 reichsmarks for machine tools; 2,851,000 reichsmarks for motor cars and lorries; 2,357,000 reichsmarks for textile machinery; 2,325,000 reichsmarks for agricultural machinery; 10,597,000 reichsmarks for miscellaneous machinery; 6,781,000 reichsmarks for wooden and corrugated iron houses and sheds; 4,987,000 reichsmarks for steel and steel piping; 4,715,000 reichsmarks for kitchen ranges and cookers; 4,012,000 reichsmarks for hospital and sanitary material; 1,464,000 reichsmarks for scientific and laboratory instruments; and 3,337,000 reichsmarks for miscellaneous deliveries.

Practically the whole of the Rumanian share during the fifth Annuity year was already committed, as explained in preceding Reports, to pay for railway and sanitary material under contracts passed in previous years. Riders to these contracts, however, were presented during the fifth Annuity year, involving further commitments to the amount of 268,000 reichsmarks.

Japan ordered sulphate of ammonia to the value of 3,669,000 reichsmarks; electrical material, 728,000 reichsmarks; miscellaneous machinery, 793,000 reichsmarks; books, 340,000 reichsmarks; hops, 282,000 reichsmarks; steel, 131,000 reichsmarks; and a submarine cable, 91,000 reichsmarks.

Portugal ordered 150 railway cars to the value of 2,493,000 reichsmarks; a dredger for 1,618,000 reichsmarks; and other dredgers, tug boats and barges for 1,448,000 reichsmarks.

The Greek share, as explained in the preceding Report, was entirely committed to the liquidation of two contracts for motor ambulances and motor workshops, as to which a series of disputes had arisen. In the month of August, 1928, the parties were able to reach an agreement on the points in dispute, and in September, 1928, the contracts were re-submitted in a modified form. Their value remained at a total of 6,658,000 reichsmarks, but there were modifications in the nature of the materials to be delivered and the period over which payments were to be made. The result was to free a portion of the Greek share, and with the beginning of the fifth Annuity year the Greek Government began to present new contracts for deliveries in kind. These included contracts for 1,051,000 reichsmarks for news-print; 308,000 reichsmarks for boring material; 300,000 reichsmarks for agricultural and other machinery; 190,000 reichsmarks for electrical material; and 150,000 reichsmarks for miscellaneous deliveries.

Poland contracted for horses to the value of 534,000 reichsmarks.

*2. During the Transition Period, from September 1, 1929,
to May 17, 1930.*

The contracts presented to the Transfer Committee during the Transition Period, beginning September 1, 1929, represented, on

the one hand, the utilization of uncommitted balances remaining to the credit of the Powers under the Dawes Plan, and, on the other, the utilization of funds becoming available to the Powers on the basis of the Young Plan. The total shares of the Powers under the new Plan are much reduced as compared with their shares in the fifth Annuity under the Dawes Plan, and at the same time the amounts which they have agreed to receive in the form of deliveries in kind are greatly reduced as compared with what they have been accustomed to take in the later years of the Dawes Plan. France, for example, undertook to utilize only about 38.9 million reichsmarks per month in deliveries in kind out of her share in the first Annuity (September 1, 1929, to March 31, 1930) under the Young Plan; Italy at the rate of about 5.3 millions per month; Belgium about 3.5 millions per month; and Yugoslavia about 3.7 millions per month. Rumania and Greece, moreover, had no share whatever in the first Annuity under the Young Plan and, therefore, no new funds available for deliveries in kind. In the second year of the new Plan, which began April 1, 1930, the monthly allotment for deliveries in kind out of the French share is only 30.3 million reichsmarks, and for all the creditor Powers interested in deliveries in kind, taken together, the monthly allotment is only 42.7 millions. Altogether, the effect of these changes has been to reduce the volume of deliveries in kind, and the results are to be seen in the amount and value of the contracts submitted to the Transfer Committee since September 1, 1929.

During the Transition Period from September 1, 1929, to May 17, 1930, the total value of the contracts for deliveries in kind presented by all the Powers amounted to about 435,084,000 reichsmarks, as compared with a total value of about 1,148,934,000 reichsmarks in the fifth Annuity year.

The French contracts, as usual, were the largest in number and amount and aggregated about 332,566,000 reichsmarks in value. France greatly reduced the volume of current deliveries of coal on reparation account, and during the Transition Period presented coal contracts to a value of only 15,500,000 reichsmarks, in addition to current deliveries under Annex V of the Treaty of Peace to the amount of 9,290,000 reichsmarks. France also presented exceptional contracts for various public works to the value of 29,766,000 reichsmarks and ordinary contracts to the value of 50,374,000 reichsmarks for railway material; 25,741,000 reichsmarks for electrical material; 20,908,000 reichsmarks for metallurgical machinery; 12,643,000 reichsmarks for machine tools; 10,189,000 reichsmarks for textile machinery; 37,813,000 reichsmarks for miscellaneous machinery; 15,085,000 reichsmarks for ships and rivercraft; 21,913,000 reichsmarks for dyestuffs and other chemical products; 21,840,000 reichsmarks for wood pulp and paper; 16,613,000 reichsmarks for iron, steel and other metals; 10,200,000 reichsmarks for sulphate of ammonia; 7,698,000 reichsmarks for paving stones; 5,825,000 reichsmarks for sugar; 5,162,000 reichsmarks for coal by-products; 3,447,000 reichsmarks for lumber, telegraph poles and wooden houses; 3,097,000 reichsmarks for cinematograph films; 2,501,000 reichsmarks for refractory products; 10,425,000 reichsmarks for miscellaneous deliveries; and 5,825,000 reichsmarks for additional costs of dredging in the port of Dunkirk.

Italy, in addition to taking deliveries of coal for the Italian State Railways to the value of 41,548,000 reichsmarks under the Coal Agreement with the Rhineland Westphalian Coal Syndicate, submitted contracts to a total value of 24,252,000 reichsmarks for coal to be delivered to private buyers in Italy, and 548,000 reichsmarks for coal by-products.

Belgium concluded contracts for dyestuffs to a total value of 8,618,000 reichsmarks; other chemical products 8,265,000 reichsmarks; electrical material 2,134,000 reichsmarks; wood pulp and paper 2,119,000 reichsmarks; iron and steel 1,854,000 reichsmarks; railway material 1,692,000 reichsmarks; small machines 1,309,000 reichsmarks; ships and rivercraft 1,077,000 reichsmarks; miscellaneous deliveries 2,205,000 reichsmarks.

Yugoslavia ordered railway material and freight cars to the value of 22,001,000 reichsmarks; steel conduits 2,317,000 reichsmarks; earthenware piping 1,265,000 reichsmarks; washing machines 1,211,000 reichsmarks; airplane hangars 990,000 reichsmarks; electrical material 941,000 reichsmarks; motor cars and lorries 757,000 reichsmarks; construction iron 483,000 reichsmarks; school materials and scientific charts 481,000 reichsmarks; miscellaneous material 2,063,000 reichsmarks. Yugoslavia also submitted two exceptional contracts, one for delivery of metal parts for a bridge on the Save to the value of 4,866,034 reichsmarks and the other for further work to the value of 2,971,363 reichsmarks on the bridge over the Danube between Belgrade and Pancevo.

Japan ordered sulphate of ammonia to the value of 3,676,000 reichsmarks; blooming mills for 2,549,000 reichsmarks; and miscellaneous machinery for 1,315,000 reichsmarks.

Portugal, having made contracts prior to September 1, 1929, which involved commitments sufficient to absorb her entire quota for the period, submitted no further contracts. Several riders, however, were executed for the purpose of modifying the lists of materials to be shipped under existing orders.

Rumania had no share in the first Annuity under the Young Plan, and presented no new contracts to the Transfer Committee after September 1, 1929.

Greece, also, had no share in the first Annuity under the Young Plan, but submitted a contract for 8,000 reichsmarks for newsprint which was paid from balances remaining from her share in the fifth Annuity under the Dawes Plan.

Poland had no quota in the schedule of deliveries in kind set forth in the Young Plan, but since September 1, 1929, the Polish Government has presented two contracts for the purchase of horses, amounting to about 551,000 reichsmarks, for the purpose of utilizing available credits.

3. Summary of Exceptional Contracts.

Contracts which were defined as exceptional within the meaning of the regulations for deliveries in kind have had to follow a special procedure prescribed by the regulations, and could go into execution only in the event of favorable decisions by both the

Reparation Commission and the Transfer Committee. Generally speaking, these contracts have fallen into the following categories:

- (a) contracts for public works, complete installations and ship-building;
- (b) contracts providing for deliveries or payments extending over more than 24 months;
- (c) contracts for non-rationed commodities involving payments exceeding 12 million gold marks per annum.

During the fifth Annuity year considerable progress was made by the creditor Powers, particularly France, in arranging contracts for various public works to be executed wholly or principally on reparation account, as well as contracts for complete installations and the building of ships. During the first nine months of the year, as has been seen from the previous Report, the exceptional contracts passed by the Transfer Committee called for payments on reparation account to a total of 155,433,173 reichsmarks. The exceptional contracts passed during the last three months of the fifth Annuity year, up to August 31, 1929, covered a further sum of 81,736,643 reichsmarks, making a grand total of 237,169,816 reichsmarks of exceptional contracts for the year as compared with 172,933,670 reichsmarks in the fourth Annuity year. The following statement gives a complete list of the exceptional contracts passed by the Transfer Committee during the fifth Annuity year, with the estimated payments on reparation account:

FRANCE	Reichsmarks
Boring and equipment of a coal mine in Lorraine for the Société des Charbonnages de Faulquemont	49,526,000
Boring and equipment of a coal mine in Lorraine for the Compagnie des Mines de Saint-Avold	35,000,000
Construction work in the port of Tamatave (Madagascar)	12,500,000
Delivery of two tankers to the Marine Nationale	9,992,000
Construction of a dam across the Rhine at Kembs	9,010,000
Construction work for the canalization of the river Moselle ..	7,160,000
Construction work for the canalization of the Moselle between Uckange and Thionville	7,001,153
Improvement work and construction of a lock in the harbor of St. Nazaire	6,723,823
Modifications in the locks of Amfreville-sous-les-Monts in the Département de l'Eure	6,503,689
Installation of an hydro-electric plant on the river Cure	5,835,000
Repairs to the Oise-à-Aisne canal	5,630,000
Construction work for the improvement of the port of Dunkirk ..	5,437,808
Installations in the steel works of Rombas (Moselle)	5,416,276
Delivery of a motor ship to the Compagnie Générale Transatlantique	4,978,000
Construction work for the canalization of the river Moselle in the city of Metz	4,572,102
Delivery of an oil tank steamer to the Compagnie Nationale de Navigation	4,086,000
Further repairs to the Oise-à-Aisne canal	3,770,000
Construction of sheds in the port of Marseilles	3,575,891
Construction of a mole at the port of Bordeaux	3,472,970
Construction of a steamship	3,328,901
Improvement work in the harbor of Port-de-Bouc and in the canal from Marseilles to the Rhône	3,146,834
Paving and asphaltting of roads in the Départements de Meurthe-et-Moselle, de la Moselle, du Haut-Rhin et du Bas-Rhin...	2,737,375
carried forward....	199,403,822

		Reichsmarks
FRANCE (CONTINUED)		
	brought forward....	199,403,822
Construction of two causeways, quays and a platform at Mar-seilles		1,627,732
Construction of a dam at Argancy on the Moselle canal.....		1,592,000
Construction of a steamship		1,564,024
Dredging work in the Aire canal		1,543,750
Construction of an underground canal with a lock and concrete bridge in the town of Nantes		1,512,394
Construction of quays in the port of Le Havre		1,462,628
Construction of a dam on the river Moselle between Illange and Uckange		1,455,000
Improvement work on the river Seine		1,454,035
Salvage of wrecks in the roads of Le Havre		1,284,000
Construction of new siphons in the Aire canal		1,022,602
Construction of mooring berths in the port of Dunkirk		966,908
Construction work in the port of Le Havre.....		895,000
Cession of certain manufacturing and selling rights to the Société des Automobiles Peugeot.....		850,000
Delivery of six turbines to the Société des Forces Motrices de la Truyère		709,970
Construction work in the port of Dunkirk.....		703,400
Installation of hydro-electric works on the river Tech		696,106
Reinforcement of a concrete reservoir on the Montbéliard-Haute-Saône canal		550,000
Delivery and installation of eight portal bridges for the Compagnie des Chemins de fer de l'Etat		351,760
Construction and placing of steel platforms for bridges over the Aire canal		190,100
BELGIUM		
Delivery of continuous brakes to the Société Nationale des Chemins de fer belges		13,579,797
Delivery of 9,000 water meters to the Société Nationale de Distribution d'Eau.....		132,263
YUGOSLAVIA		
Delivery of a steamship		1,471,362
Factory and quarry installations		1,646,163
Factory installations		500,000
Total		237,169,816

It now appears, however, that the execution of the two last-mentioned Yugoslav contracts for factory and quarry installations is not to be continued on reparation account, since the German contracting party has been found guilty of a wilful infraction of the regulations for deliveries in kind. These contracts, however, have been partly executed and payments under them have been made to the extent of 746,135 and 250,000 reichsmarks, respectively.

During the Transition Period, from September 1, 1929, to May 17, 1930, additional exceptional contracts were passed by the Transfer Committee, as follows:

		Reichsmarks
FRANCE		
Construction work for the enlargement of the port of Dunkirk		27,815,833
Delivery of dyestuffs and chemical products		18,000,000
Delivery of metallurgical machinery		2,095,350
Construction and laying of a telephone cable from Boulogne to Seabrook		797,996
Construction work for the canalization of the river Moselle		756,745
Construction of a quay wall in the port of Dunkirk		395,913
YUGOSLAVIA		
Delivery of railway material.....		19,700,547
Delivery of metallic parts for a bridge on the Save		4,866,034
Further work on the bridge over the Danube between Belgrade and Pancevo.....		2,971,363
Total		77,399,781

d. The Reparation Recovery Acts.

The British and French Recovery Act systems, which have been fully described in previous Reports, continued to function smoothly throughout the fifth Annuity year and the Transition Period, and produced the respective monthly quotas in foreign currencies at the Bank of England and the Bank of France. Great Britain realized the equivalent of 334 million gold marks in this way during the fifth Annuity year, and France the equivalent of about 67.7 millions. In the Transition Period the payments under the Recovery Acts were placed, in effect, on the basis of the new Plan, and the monthly quotas were materially reduced.

The Young Plan, like the Dawes Plan, assimilates the Recovery Act payments as far as possible to deliveries in kind, and in addition to the limitation of 26 per cent of the value of German exports subject to the levy, which has prevailed throughout the period of the Dawes Plan, the new Plan provides that through the Reparation Recovery Act procedure Great Britain may not take more than 23.05 per cent and France not more than 4.95 per cent of the total amount to be taken by all the Powers in deliveries in kind in each of the ten years during which deliveries in kind are to continue. In the case of France this percentage is to be applied uniformly throughout the period during which the Recovery Act procedure will apply, but in the case of Great Britain while the percentage stated is applicable over the period as a whole certain re-arrangements have had to be made in respect of the first three accounting periods. During the period September 1, 1929, to March 31, 1930, the total credits available to Great Britain for Recovery Act purposes were only about 46 million reichsmarks, whereas her Reparation Recovery Act quota on the basis of 23.05 per cent of the total deliveries in kind quota for that period would have given her more than 100 million reichsmarks. The amount which Great Britain, owing to the lack of available credits, was unable to take under the Recovery Act procedure during the period September 1, 1929, to March 31, 1930, has been spread, for purposes of recoupment, over the years ending March 31, 1931, and March 31, 1932. Out of the first full year's quota of 739.6 million reichsmarks for deliveries in kind, Great Britain may take through her Recovery Act procedure not more than about 191 million reichsmarks and France not more than about 36.6 million reichsmarks, and these sums will be progressively reduced throughout the ten years' period during which deliveries in kind will continue. The effect of the provisions of the Young Plan on payments under the Recovery Acts is illustrated by a comparison of the sums taken through the Recovery Act procedure in the fifth Annuity year and the sums which may be taken under the new Plan. Throughout the fifth Annuity year Great Britain took an average of 27.8 millions per month and France 5.6 millions per month, while out of the first full year's quota for deliveries

in kind under the Young Plan Great Britain is limited to about 15.9 millions per month and France to about 3.05 millions per month.

The Governments of Great Britain and France entered into new agreements with Germany in connection with The Hague Agreement of January 20, 1930, in order to adapt the Recovery Act systems to the provisions of the Young Plan. For some time past the British and French Recovery Act systems have been identical in principle, but by these new agreements they have now become identical in every detail. The new agreements provide that Germany will pay each month, against appropriate reimbursement in reichsmarks, the sterling and French franc amounts due under the respective Recovery Act systems. The payments are to be made to the Bank for International Settlements, for the accounts of the British and French Governments, respectively, on the same dates as the other payments entering into the postponable Annuity. Under the Dawes Plan, it will be recalled, the British and French Recovery Act systems both provided for the establishment of reserve funds by the German Government to cover any temporary shortage that might occur in the sterling or French franc amounts to be surrendered by German exporters. Both the British and French Governments have now expressed themselves as satisfied, under the Young Plan, with the simple undertaking of the German Government, and the reserve funds were accordingly released to the German Government upon the coming into force of the new Plan.

The new agreements also provide that in the event of any postponement of the postponable part of the Annuities under the new Plan the British and French Governments shall at all times have the right to a Reparation Recovery levy *pari passu* with any deliveries in kind furnished during the period of postponement, so that of the total amount transferred in any year in deliveries in kind (including the quotas under the Reparation Recovery Acts) the quotas under the British and French Recovery Acts will always amount to 23.05 per cent and to 4.95 per cent, respectively.

At the end of the Transition Period the Agent General still held certain amounts blocked in the accounts of the Dawes Plan to cover the reimbursement to German exporters of outstanding vouchers issued by the customs authorities in Great Britain and in France under the old procedure for the payments under the Recovery Acts. Upon the coming into force of the new Plan these balances, amounting to 91,239.22 reichsmarks in the case of the British Recovery Act, and 1,385,962.75 reichsmarks in the case of the French Recovery Act, were paid over to the German Government, with the agreement of the British and the French Governments, respectively, on the understanding that the German Government would assume the reimbursement of any outstanding vouchers which might still be presented.

c. Investments within Germany.

During the whole period of the Dawes Plan reparation payments and transfers have been on a current basis and there has been no accumulation of funds in the Agent General's account at the Reichsbank beyond the normal working balances required for the administration of the Annuities. The provisions of the Dawes Plan with regard to the accumulation of non-transferable funds never came into operation, and the Transfer Committee, therefore, was never called upon to deal either with the investment of non-transferable funds or with the limitations on the accumulation of these funds under the provisions of the Dawes Plan and the London Agreement of August 30, 1924. Pursuant to the provisions of the Plan, reichsmark balances have always been carried with the Reichsbank, but at the same time, as indicated in previous Reports, the Committee has regularly followed the policy of adjusting its holdings of reichsmark funds, so far as possible, to the estimated reichsmark requirements, and of purchasing foreign currencies with the other available balances to the extent that this could be done without threatening the stability of the German currency. The Committee thus built up reserves of foreign currencies not merely for purposes of cash transfer but for the general purposes of the Plan, and during the fifth Annuity year its average end-of-the-month balances were carried to the extent of about 177 millions in foreign currencies, as against about 54 millions in reichsmark funds. The Reichsbank paid no interest on deposits, and generally speaking would make no arrangements for the investment of temporarily idle balances in the Agent General's account, so that practically all of the interest earned during the administration of the Dawes Plan came from the investment of funds in foreign currencies, through the Bank of England, the Bank of France and the Federal Reserve Bank of New York.

Exceptionally, however, there have been several cases of investments within Germany under the authority of the Transfer Committee. The first investments of this kind were made, as stated in the Annual Report for the first Annuity year, in order to save as much as possible of the discount on the advance payments for the service of the Railway bonds. For a short period in 1925, the Reichsbank agreed, under its guaranty, to make temporary investments of such parts of these advance payments as were not needed for the purpose of immediate disbursement, but this arrangement soon expired and the Reichsbank would not agree to renew it. No further occasion for the investment of funds within Germany arose until after the completion of the fifth Annuity year, when The Hague Protocol of August 31, 1929, came into effect. It was evident that with the reduced Annuities to be paid under the Young Plan the Committee's requirements for foreign currencies would be greatly reduced during the Transition Period, and since the reserve of

170 million reichsmarks which remained at the end of the fifth Annuity year was adequate for all immediate purposes, the Transfer Committee decided, in September, 1929, without prejudice to the general question of investments in Germany under the Dawes Plan, to invest temporarily the sum of 50 million gold marks in Treasury certificates of the Reich dated September 14, 1929, and maturing October 14, 1929, discounted at the rate of $7\frac{1}{2}$ per cent per annum, corresponding to the Reichsbank discount rate in force at the time. Further investments of the same kind were made on October 1, 1929, in Treasury certificates to the nominal amount of 53.7 million reichsmarks, dated October 1, 1929, and maturing November 1, 1929, discounted also at the rate of $7\frac{1}{2}$ per cent per annum; and on October 14, 1929, in Treasury certificates to the nominal amount of 50 million reichsmarks, dated October 14, 1929, maturing December 2, 1929, and discounted at the rate of $7\frac{1}{2}$ per cent per annum. These investments were all collected at maturity and no further investments of the kind were made.

In addition to the investments made on the initiative of the Transfer Committee, out of funds temporarily available for investment in reichsmarks, there has been a further series of investments in Treasury bills and certificates of the Reich, pursuant to the provisions of Article I of Annex III to The Hague Protocol of August 31, 1929, known as the Agreement upon the Transition Period, as supplemented and extended by the Transitory Provisions annexed to The Hague Agreement of January 20, 1930. The Transfer Committee has in each case been consulted with regard to these investments, since its functions with regard to the investment of funds within Germany remained in force until the new Plan had come into legal operation; but these investments must nevertheless be distinguished from those made at the instance of the Committee itself, since they were made in execution of the agreement entered into between the creditor Powers and Germany for the administration of the payments during the Transition Period and were covered, in substance and in form, by specific instructions from the creditor Powers to the Agent General for Reparation Payments. The investments under this heading which were outstanding on May 17, 1930, amounted to 361 million reichsmarks, nominal amount, and the Treasury certificates representing them were all redeemed on that date, upon the coming into force of the new Plan, as more fully described in the preceding chapter regarding the administration of the payments during the Transition Period.

f. German Foreign Payments.

During the period of the Dawes Plan, the German Government, in pursuance of its undertaking to facilitate the work of the Transfer Committee in every reasonable way within its power, has followed the practice of advising the Committee in advance

of any foreign payments which it proposed to make outside of the Plan, otherwise, of course, than for purposes of its current administration. These payments, as notified by the German Government since the beginning of the Plan, have been as follows:

Summary of foreign payments outside the Dawes Plan, as reported by the German Government	Object of payment	Amount of payment (In thousands of reichsmarks)	Time of payment
Norwegian Government	Purchase of herrings in 1923-24	1,475	December, 1924
Norwegian Government	Purchase of herrings in 1923-24	38,443	June, 1925
Chilean Government	Reimbursement of expenditure incurred for internment of cruiser "Dresden" during the war	1,047	October, 1925
Natives of former German East Africa (the Askari)	Services rendered to German troops during the war	12,206	In ten monthly instalments, beginning February, 1926. It is reported, however, that the payment has never been fully effected
Dutch Government	Indemnity for sinking of S. S. "Gelderland" during the war	1,937	In three instalments, the first in February, 1926, and the others 3 and 6 months later, respectively
Danish Government	Indemnity for sinking of S. S. "Cyrus" during the war	891	April, 1926
Luxemburg Government	Indemnity for entrance of German troops into Luxemburg	2,240	Originally proposed to be made at the end of October, 1927, but actually effected in March, 1928
Spanish Government	Reimbursement of expenditures arising from internment of German nationals during the war	3,000	December, 1927
Norwegian Government	Indemnity for damage to Norwegian shipping during the war	6,600	February, 1928
Spanish Government	Reimbursement of expenditures arising from internment of German nationals during the war	3,000	April, 1928

Summary of foreign payments outside the Dawes Plan, as reported by the German Government (continued)	Object of payment	Amount of payment (In thousands of reichsmarks)	Time of payment
Danish Government	Indemnity for sinking of S. S. "Orion"	600	January, 1929
Rumanian Government	Settlement of financial disputes arising from the war	30,500	January, 1929
Spanish Government	Reimbursement of expenditures arising from internment of German nationals during the war	1,000	January, 1929
Rumanian Government	Settlement of financial disputes arising from the war	15,000	April, 1929
U. S. A. Government	Reimbursement of expenditures incurred by the Department of State in taking charge of German interests abroad from 1914 to 1917	590	April, 1929
Spanish Government	Reimbursement of expenditures arising from internment of German nationals during the war	1,000	May, 1929
Rumanian Government	Settlement of financial disputes arising from the war	15,000	April, 1930

In general, it will be observed, these foreign payments have been in settlement of financial claims arising either from the war or from the subsequent period of inflation. The total of the payments reported for the whole period of the Dawes Plan amounts to 134.5 million reichsmarks, of which it is understood that about 70.5 millions were in foreign currencies and the remaining 64 millions in reichsmarks. Out of the total of foreign currency payments, about 40 millions represented payments to the Norwegian Government during the first Annuity year in discharge of obligations incurred by the German Government for deliveries of herrings that were made during the inflation in 1923-24. Certain of the payments, principally those made to the Rumanian Government under the German-Rumanian Agreement of November 10, 1928, which has been described in previous Reports, were made to Powers already sharing in the Dawes Annuities, and these required the specific assent of the Reparation Commission, in view of the provisions of the Dawes Plan and the all-inclusive nature of the Annuities payable under it.

The Transfer Committee, so far as it was concerned, was obliged on several occasions to request further information from the

German Government with regard to the proposed payments, but the Committee never found it necessary to make objection to any of the payments on grounds of possible interference with reparation transfers.

g. The German Railway and Industrial Bonds.

No proposals for selling the reparation bonds of the German Railway Company or the German industrial debentures have come before the Transfer Committee during the period of the Dawes Plan, and the Committee had no occasion, therefore, to consider this question or to express any opinion thereon. With the coming into force of the Young Plan, as already noted in the previous chapter, both the Railway bonds and the industrial debentures have been finally cancelled and destroyed.

IV. The Work of the Commissioners and Trustees.

The Commissioners and Trustees, with the exception of the Trustee for the German Railway Bonds, are all presenting final reports covering the work in their respective fields, in addition to the usual annual reports for the fifth Annuity year. These reports are considered below, from the standpoint of the operation of the Plan as a whole. At the same time, the work of the several Commissioners and Trustees is examined in relation to the development of the specific securities provided by the Dawes Plan, all of which were at their standard levels during the fifth Annuity year. Special attention is given to the development of the controlled revenues and to the financial results obtained by the German Railway Company, since the assigned revenues and the German Railway Company both provide collateral guaranties for the Annuities which Germany has agreed to pay under the Young Plan.

a. The Commissioner of the Reichsbank.

The report of the Commissioner of the Reichsbank dated December 23, 1929, covered the fifth Annuity year under the Dawes Plan, and his final report under date of May 17, 1930, carries the record through the termination of his functions upon the coming into force of the new Plan. Both reports present the usual account of developments in the currency and credit situation, and consider at length the policy of the Reichsbank in relation to the general trade situation, the movements of the foreign exchanges and the position of the domestic money and capital markets.

In the course of his final report, the Commissioner calls attention to the strong position of the Reichsbank, as reflected in its large holdings of gold and devisen eligible as cover for its notes. On March 22, 1930, the reported holdings of gold and eligible devisen reached a total of 2,942 million reichsmarks, the highest point attained since the coming into force of the Bank law of August 30, 1924, while on May 15, 1930, the last reporting date before the termination of the Commissioner's functions, the reported total stood at 2,875 millions, of which 2,578 millions were in gold. Throughout the period of the Dawes Plan, the cover for Reichsbank notes has always remained above the legal minimum of 40 per cent of the notes in circulation, and as against the low point of 41 per cent which was reached on May 7, 1929, as noted in the Commissioner's previous reports, the cover on May 15, 1930, stood at 68.5 per cent. The Commissioner points out that with the coming into force of the Young Plan the notes of the Reichsbank have become fully convertible into gold, and that the German currency is thus legally as well as actually on a gold basis. Article 31 of the Bank law of August 30, 1924, provided that the Reichsbank was under obligation to redeem its notes in gold, but under Article 52 of the same law a joint decision of the Managing Board of the Reichsbank and of the General Council was required in order to put this provision into effect. This decision has now been taken and officially announced, and it has become effective simultaneously with the coming into force of the new Plan.

The Commissioner refers in his report to the new provisions for the distribution of Reichsbank profits and for the reorganization of the Golddiskontbank which were approved by the shareholders of the Reichsbank at their general meeting on February 15, 1930, and to the changes which are proposed in the law for the redemption of Rentenbank notes. The Commissioner also gives in his report a summary of the changes in the Bank law of August 30, 1924, which have been made by the law of March 13, 1930, enacted in pursuance of Annex V to The Hague Agreement of January 20, 1930. By decree of May 19, 1930, the new law has gone into effect as of May 17, 1930, and among other things it has brought to an end the functions of the foreign members of the General Council and transferred the functions of the Commissioner in relation to the control of the issue of Reichsbank notes and the maintenance of gold cover for notes in circulation to the President for the time being of the Court of Accounts of the Reich. Pursuant to these provisions, the Commissioner turned over the entire apparatus of control to his successor on May 17, 1930.

Chapter VII of the present Report gives a further review of German credit conditions and the currency in relation to the execution of the Dawes Plan as a whole.

b. The Commissioner for the German Railways.

The financial results achieved by the German Railway Company under the Dawes Plan are first examined, and then follows the usual summary of the Commissioner's reports for the fifth Annuity year and the Transition Period.

*1. Financial Results of the German Railway Company
under the Dawes Plan.*

The German Railway Company completed more than five full business years under the régime of the Dawes Plan. Its record of earnings throughout the period gives impressive evidence of its essential soundness and of the technical and administrative efficiency with which it is operated. Generally speaking, such financial difficulties as the Company has encountered have been directly traceable to the action of the public authorities, and to surmount them the Company has been obliged several times to resort to increased goods and passenger tariffs.

The Railway Experts who were consulted by the Dawes Committee in 1924 estimated that by the calendar year 1928, the Railway Company would be in a position to produce an annual surplus amounting to approximately 800 million gold marks. Having this estimate in mind, the Dawes Committee recommended a standard annual charge of 660 million gold marks for the service of the reparation bonds of the Company, and they also provided for the establishment of a legal reserve through the application of 2 per cent of the operating receipts of the Company until the fund should reach the amount of 500 million gold marks. At the same time, and with a view to facilitating the task of the Company in the earlier years, the Committee recommended that the service of these bonds should not reach its standard amount until the fourth and fifth

While it is difficult to make comparisons between these results and those of earlier years before the Company was organized, owing to the disorganization and disorder of the inflation period, the accounts of the Railway administration show that from 1920 to 1923 the system was incurring heavy deficits. Since the organization of the Railway Company these deficits have been converted into substantial surpluses and instead of being a burden on the public finances, the railways have contributed each year the sums required to pay the reparation charges imposed upon them and have thus afforded corresponding relief to the budget of the Reich.

While the operating ratio of the Company remains high, it has been reduced from 85.13 per cent in the calendar year 1925 to about 83.93 per cent in 1929. This high ratio, however, is not so much a reflection on the operating efficiency of the Company as it is a result of the political charges imposed upon it by Reich legislation. Toward the end of 1927, for example, the Company was obliged to assume the burden of a general increase of about 15 per cent in the salaries of officials owing to legislation by the Reich. Increases in the wages of Railway workmen followed until the Company now has to make an expenditure on staff which is 20 per cent more than it was in 1925 whereas its material expenditure has increased during the same interval by only $\frac{1}{2}$ per cent. In addition, the Company must pay pensions and allowances to former officials and their families amounting now to about 478 millions a year or four times the expenditure on this account in 1913. Social charges, consisting largely of contributions to social insurance organizations, required a further 137 millions in 1929, as compared with 35 millions in 1913.

Another difficulty with which the Company has had to contend is due to the state of deterioration prevailing throughout the railway system when it took over the lines. Large sums have been expended during its first five years in order to make up these deficiencies, but it has been impossible to proceed at as rapid a pace as would be desirable, on account of shortage of funds. Nevertheless the capital expenditures of the Company during the five years, for the purpose of extending and renewing its plant, have been as follows:

1925 (15 months)	1925 (12 months)	1926	1927	1928	1929	Total, 1925-29
239 ¹	197	407.6	348.5 ²	285.7 ³	186.4	1,467.2

Owing to its inability to obtain all the necessary funds for these purposes by means of borrowing or through the issuance of preference shares, the Company was compelled to meet part of the cost by using operating receipts. The total amount of such receipts expended for capital purposes up to December 31, 1929, was 617 millions, as shown by the following figures:

1925	1926	1927	1928	1929	Total
150	36	289	47	94.9	617

¹ A further 236 millions taken from operating receipts was also expended in this year.

² A further 140 millions taken from operating receipts was also expended in this year, of which 70 came from a special reserve constituted in 1926.

³ A further 56 millions taken from operating receipts was also expended in this year.

Moreover, as will be seen from the figures in the table on page 82, the Company has built up a legal reserve fund now amounting to some 500 millions, and its reserve for writing off the concession now stands at 390 millions. It has also paid 257 millions in dividends on its preference shares and carried forward a total of 179 millions during the five years.

The Company now finds itself, for the first time in recent years, in a considerable depression of traffic, and its operating ratio is so high, for the reasons already explained, that it has not much margin to allow for any great falling off in receipts. Under the new Plan, however, the German Government has undertaken to respect the independence of the Company, and in the letters exchanged at the final Hague Conference, which form part of the Agreement of January 20, 1930, the Government has also specifically agreed to permit the Company to have the tariffs which it needs to maintain itself as a self-supporting business entity. The Company is well managed and in a strong financial position, and the experience of the past five years amply confirms the views expressed in previous Reports as to the ability of the Company to carry the full annual charge imposed upon it for reparation purposes, provided that it follows a prudent financial policy and that the rights of supervision and control reserved to the German Government are not exercised in such a way as to impair the Company's ability to earn a fair and reasonable return on its capital.

2. Summary of the Commissioner's Reports.

The report of the Commissioner for the German Railways dated December 14, 1929, covered the period of the fifth Annuity year under the Dawes Plan and considered in a preliminary way the results of the Company's operations during the calendar year 1929.

The final report of the Commissioner, dated May 10, 1930, reviews the financial results of the German Railway Company during its business year ended December 31, 1929, as shown by the accounts and balance sheet approved by the Managing Board of the Company on April 26, 1930. The development of operations during the first quarter of 1930 and the prospects for the remainder of the year are also considered.

In his general review of the Company's position, the Commissioner refers to the decline in the volume of Railway traffic in 1929, as compared with the preceding year. Leaving aside suburban traffic in Berlin and Hamburg, the number of passengers carried in 1929 declined 4.3 per cent as compared with 1928 and the number of passenger-kilometers 2.8 per cent. Goods traffic increased 1 per cent in 1929, so far as tonnage carried was concerned, and there was an increase of 4 per cent in the number of ton-kilometers as compared with 1928. These figures include coal transports, however, the tonnage of which alone increased by 9 per cent owing mainly to the severe winter of 1928-29. The tonnage of other goods carried diminished by 3.9 per cent as compared with 1928. The Commissioner considers that the falling

off in passenger and goods traffic was due to adverse business conditions during part of the year, to competition from motor transportation, and to the severe cold of the first quarter of 1929. In the early months of 1930, he adds, transports of fuel have declined sharply, chiefly because of the mild weather of the past winter, and there has been a less pronounced falling off in passenger traffic. Tariffs underwent no change in 1929, and the increases of October, 1928, do not appear to have had any harmful effect upon economic activity.

The Commissioner states, in the portion of his report dealing with the finances of the Company, that operating receipts in 1929 amounted to 5,353.8 million reichsmarks, or 3.7 per cent more than in 1928 (5,159.2 millions), but slightly less than the Company's original estimates of 5,370 millions. The receipts from passenger traffic decreased by 1.4 per cent as compared with 1928, while those from goods traffic increased by 6.4 per cent. The total receipts of the Company in 1929 were 14.5 per cent larger than in 1925, or an annual average increase of 3.5 per cent, which the Commissioner considers satisfactory. This increase was due entirely to a growth in receipts from goods traffic, as passenger receipts were lower in 1929 than they were in 1925. In this connection it is of interest to recall that according to the Railway Company's report, nearly 56 per cent of all passengers are carried at reduced rates. The operating expenditures of the Company during the year 1929 amounted to 4,493.5 millions, or an increase of 4.6 per cent over 1928, when the total was 4,294.3 millions, and an increase over 1925 (3,974.8 millions) of 13 per cent. Of the total increase during the four years only half per cent was on account of material expenditure, whereas 20 per cent was due to outlay on personnel. The Commissioner observes that the Company has devoted the requisite funds to normal upkeep, as in each year the theoretical minimum which the Company considers as corresponding to the size of its plant and material has been attained. He adds, however, that the Company is compelled to incur additional expenditure for material purposes because of the defective condition in which the system was taken over. Up to this time inadequate resources have prevented it from making up all of these arrears, and drastic cuts in expenditure on this account have been necessary.

The operating surplus of the Company in 1929 was 860.3 millions as compared with 864.9 millions in 1928, 880.5 millions in 1927, 860.2 millions in 1926, and 694.2 millions in 1925. Out of the operating surplus the Company paid for the service of its reparation bonds in 1929 the amount of 658.7 millions as compared with 658.3 millions in 1928, 590.5 millions in 1927, 574.3 millions in 1926 and 332.7 millions in 1925. From the remainder of the operating surplus in 1929, 91.8 millions (2 per cent of operating receipts) were assigned to its legal reserve fund, and 25 millions to its "reserve fund for writing off the concession", and 3.5 millions were used to meet the service of debt and new loans. The net profits were 81.3 millions, of which 75.7 millions were distributed as dividends on preference shares, while a balance of 5.6 millions

was carried forward to the year 1930, bringing the total surplus carried forward since 1925 to 178.9 millions. The operating ratio was 83.93 per cent in 1929; 83.24 per cent in 1928; 82.53 per cent in 1927; 81.06 per cent in 1926; and 85.13 per cent in 1925. The Company's balance sheet as of December 31, 1929, shows that the legal reserve fund is now at its full prescribed amount of 500 millions; that its working reserve fund is still carried at the amount of 756 millions entered in the opening balance sheet; and that its "reserve fund for writing off the concession" now stands at 390 millions. The new Railway law enacted in connection with the Young Plan reduces the legal reserve from 500 to 450 millions, but it prescribes the creation of a second reserve to the amount of 50 millions which is designed to assure regularity in the payment of preference dividends and is to be replenished, if it falls below 50 millions, by the transfer of 1 per cent of the gross receipts.

In addition to meeting the service of its 11 milliards of reparation bonds, in the amount of 660 million gold marks, as described elsewhere in this Report, the Company continued to collect the transport tax on behalf of the Reich. Out of the total yield of this tax in the calendar year 1929, amounting to 325.3 millions, the Reich made the prescribed payments to the account of the Agent General and retained the balance for its own purposes.

In his review of the Railway Company's expenditure on capital account, the Commissioner recalls that the total sum of such expenditure during the five years of the Company's operations has been 1,467.2 millions. This total is made up as follows: 1925, 239 millions; 1926, 407.6 millions; 1927, 348.5 millions; 1928, 285.7 millions; 1929, 186.4 millions. In order to finance the programme for the five years, the Company has obtained 581 millions by the sale of preference shares, 80 millions in the form of credits from the Reich to combat unemployment, a further 52 millions in the form of other Reich credits to continue the construction of lines already begun and 136 millions as loans from the States and communes and from private individuals for the execution of works. The balance of 617 millions was provided out of its own operating receipts. Inasmuch as no issue of preference shares was made in 1929, the Company used 94.9 millions of its operating receipts for this purpose; of the balance of 91.5 millions expended under this heading, 87.3 millions were derived from State, communal and other credits and 4.2 millions from Reich credits.

In his discussion of the status of the Railway personnel, the Commissioner states that in 1929 the total staff averaged 713,119 in number, or 12,456 more than in 1928. This increase, he adds, was due to the additional number of workers temporarily required to handle the abrupt increase of traffic after the very severe winter, to the development of the train service and also to the reduction of working hours. By comparison with 1925, the staff has decreased by 19,842 persons. The unfavorable traffic returns of the early months of 1930 have led the Managing Board of the Company, at its meeting on March 24, 1930, to adopt a programme of restriction calling for a reduction of 15,700 in operating staff. Since this decision was taken, moreover, the Company has dismissed 4,000 workers

employed in repair shops. The Company estimates that these reductions and the possible employment of some dismissed staff to replace temporary workers on the permanent way would yield a saving of at least 25 millions, while the restriction of operations in the workshops is expected to result in economies of 12 millions. During 1929, the Company paid salaries to its officials in the total amount of 1,191 millions. The average income of officials in 1929, the Commissioner points out, was 3,883 reichsmarks, or 120 per cent of the 1913 income (2,110 marks) after allowing for the change in purchasing power. The Company paid out 478 millions in 1929 on account of pensions, or four times the amount spent for this purpose in 1913. For wages the Company paid 983 millions in 1929; the average hourly wage was 87 pfennigs, or 136 per cent of pre-war after allowing for the change in purchasing power. Social charges borne by the Company have quadrupled since the war, amounting to 137 millions in 1929. The total expenditure on personnel in 1929 was 2,965.5 millions, as compared with 2,898.2 millions in 1928.

During the first quarter of the year 1930, the Commissioner observes, the receipts of the Company have shown a decline of 132 millions by comparison with the corresponding quarter of 1929. This falling off was principally on account of goods traffic, chiefly coal, as passenger traffic shows only a slight decline. For the entire year 1930 the Company estimates its total receipts at 5.2 milliards, or 154 millions less than in 1929. The Commissioner believes, however, that the actual results for the first few months of the year give reason to fear an even greater reduction. In view of the prospects, the Company has been obliged to cut down its estimated expenditure and has drawn up a provisional programme for the first six months of the year. The Commissioner states that the receipt of funds from the first mobilization loan under the Young Plan is expected to permit a certain expansion of expenditure on capital account in 1930; but he points out that this will have no effect on operating expenditure.

With regard to Railway tariffs, the Commissioner recalls the action of the Reich Minister of Transportation in September, 1929, denying the Company's application for permission to raise its rates in order to cover the expense of higher wages which had been granted to its workers as the result of an arbitral award declared binding by the Minister of Labor. As a result of subsequent financial developments, he adds, the Company again addressed the Minister, toward the end of the year, and informed him that it considered additional receipts of 150 millions annually to be necessary. On February 8, 1930, following an increase in rates on Berlin suburban lines expected to produce 16 millions of additional receipts, it presented a formal proposal for higher rates, chiefly on goods, which it estimated would yield the balance of 134 millions. The Reich Government decided on May 10, 1930, to approve certain of the proposed increases in goods rates; but it denied a number of others and requested the Company to consider the possibility of a general increase in passenger rates.

The Commissioner makes the following statement in concluding his general review:

"Despite the difficulties encountered since its creation, the Company has under the Dawes Plan realized operating results entirely in accordance with the estimates made at the time of its institution. There is every reason to believe that under the new system instituted by The Hague Agreements the Company will display the same caution and will meet all the charges to which it is liable. If it is to obtain the requisite results, it will need the support of the Government, which, by exercise of its right of supervision, will be able to play an important part in the operation of the Company. On the eve of the application of this system I can only refer to the statement made in my previous report, to the effect that while meeting its obligations and in particular the reparation obligations, the Company has entirely observed the provisions of the Railway law. In particular it has maintained and developed its equipment and its material in a very satisfactory manner and has assured budget equilibrium while maintaining transport rates at a reasonable level in view of the interests of the country."

Under the Young Plan, the Commissioner explains in his two reports summarized above, the status of the German Railway Company has been modified in important respects. In the first place, its reparation bonds in the amount of 11 milliard gold marks are cancelled and instead of paying the service of these bonds in the amount of 660 million gold marks a year, as under the Dawes Plan, the Company will henceforth pay a direct tax in the amount of 660 million reichsmarks, as a contribution toward the Annuities under the Young Plan, beginning on October 1, 1929, and ending on April 1, 1966. Secondly, the contribution of 290 millions a year from the transport tax, required under the Dawes Plan, will henceforth be paid over to the Reich Government for its own purposes. Thirdly, all foreign participation in the management of the Railways is to come to an end, and the Commissioner himself, as well as the Trustee for the German Railway Bonds and the foreign members of the Company's Board of Management, has ceased to function. In the fourth place, while the Young Plan provides for the maintenance of the private and independent character of the Company, including its autonomous administration of its economic and financial affairs and matters affecting the staff, the new law of March 13, 1930, enacted as part of the new Plan, strengthens the powers of control and other rights of the German Government and subjects the Company to the general legislation of the Reich in so far as is consistent with the principles of the Young Plan.

c. The Commissioner of Controlled Revenues.

The reports of the Commissioner cover particularly the latter part of the fifth Annuity year and the Transition Period but they also give a general review of the development of the yield from the controlled revenues during the five years of the Dawes Plan. For convenience of presentation, the results of the five-year period

are given first, and then a brief summary of the Commissioner's reports.

1. Record of the Controlled Revenues under the Dawes Plan.

The following table, which is taken from the Commissioner's fifth annual report, shows "the great development of the yield from the controlled revenues during the operation of the Dawes Plan":

Yield of the controlled revenues by Annuity years (In thousands of reichsmarks)	1924-25	1925-26	1926-27	1927-28	1928-29
Customs	453,271 ¹	724,885	1,128,805	1,215,016	1,085,308
Tobacco	585,375	587,206	782,270	830,410	894,639
Beer	233,939	251,181	268,822	374,923	397,731
Alcohol	164,434	177,489	252,193	263,781	336,136
Sugar	265,559	227,832	291,828	168,361	156,430
Total	1,702,578¹	1,968,593	2,723,918	2,852,491	2,870,244

¹ Not including duties collected by the Rhineland High Commission, amounting to 3,484,000 reichsmarks.

The Commissioner states that in general the increase of revenue during this period "has been due to the consolidation of the economic situation, steadily increasing consumption, and increased rates of taxation". The sugar tax is the only one of the revenues to show a decreased yield over the period, but this was due entirely to the 50 per cent reduction in the tax which became effective August 1, 1927. The receipts from customs duties, after rising steadily through the first four years, dropped materially in the fifth year as the result of the excellent domestic harvest of 1928. The Commissioner states in this connection that the "average yield of the customs duties during the past three Annuity years has been 1,143 million marks, and in consideration of recent developments and tendencies in tariff policy it seems fairly safe to predict that the receipts will continue to exceed one milliard marks per annum". The extent to which the revenues from customs may exceed this figure will largely depend, he adds, "on the harvest yield of each year in Germany".

The Experts stated, at the time of the Dawes Plan, that the technical advisers specially consulted by the Committee had estimated the yield of the controlled revenues for 1928-29 at 2,146 million gold marks and that "the yield for subsequent years should be higher". The actual yield of the controlled revenues, it will be observed, has been greatly in excess of these expectations. In 1928-29, the first standard year, the yield of the controlled revenues actually proved to be 2,870 millions, or about 230 per cent of the standard budgetary contribution of 1,250 million gold marks. And in each of the five years of the Dawes Plan the controlled revenues have yielded not merely a substantial margin over and above the budgetary contribution, but even more than the total Annuity payable during the year from all sources.

In addition to providing the budgetary contributions under the Plan, the controlled revenues have furnished the funds required for constituting the reserve fund of 100 million gold marks in accordance with the terms of the Control Protocol of August 9, 1924. This fund, the Commissioner points out, was completed during the fourth Annuity year, and it stood invested, as at the end of the fifth Annuity year, in Treasury bills of the Reich to the extent of 74,288,000 reichsmarks, and in mortgage bonds maturing in 1930 and 1931 to the extent of 26,200,000 reichsmarks.

2. Summary of the Commissioner's Reports.

The report of the Commissioner of Controlled Revenues dated November 20, 1929, covers the period from April 1, 1929, to August 31, 1929, or the last five months of the fifth Annuity year under the Dawes Plan. During that year the Commissioner continued to follow the system established by the Control Protocol of August, 1924, and to retain each month, out of the yield of the assigned revenues flowing into his account at the Reichsbank, an amount of $104\frac{1}{6}$ million gold marks representing one-twelfth of the budgetary contribution toward the Annuities under the Dawes Plan. These monthly instalments were then paid over to the Agent General and the remainder of the yield of the revenues was automatically released to the German Government. A statement showing the total receipts from these sources throughout the five Annuity years of the Dawes Plan has already been given in the preceding section.

The Commissioner's report of May 17, 1930, covers the period from September 1, 1929, to the termination of his functions with the coming into force of the Young Plan. During that time the Commissioner continued to administer the assigned revenues according to the system established under the Control Protocol of August, 1924, though the sums which were retained from the proceeds and paid over to the Agent General in the months of April and May, following ratification of the Young Plan by Germany on March 26, 1930, were reduced in accordance with the terms of The Hague Agreement of January 20, 1930, to the amounts due under the new Plan, as explained elsewhere in the present Report in Chapter II. Under the Young Plan, the Commissioner points out, the assigned revenues remain subject, as before, to a first charge by way of collateral security in favor of the German External Loan, 1924, and these revenues, with the exception of the sugar tax, also provide a collateral guaranty for the payment of the Annuities due from Germany under the new Plan, as provided in The Hague Agreements of January 20, 1930. Subject to these restrictions, however, the Government of the Reich has regained complete freedom in the handling of the assigned revenues and the control of the Commissioner has ceased to exist. The Commissioner also states that the cash and securities constituting the reserve fund under the Control Protocol were formally transferred to the Finance Ministry of the Reich on May 17, 1930.

d. The Trustee for the German Railway Bonds.

The Trustee has decided not to make any special report, in view of the fact that the German Railway bonds have now been cancelled and destroyed, pursuant to the provisions of the new Plan.

The German Railway Company continued, throughout the fifth Annuity year, to make the agreed monthly payments for the service of its reparation bonds, and, on September 1, 1929, completed the service of the bonds for the fifth Annuity year with the necessary payment to the Agent General for Reparation Payments for account of the Trustee. Out of the 660 million gold marks constituting the service of the Railway bonds for the fifth Annuity year, 115.5 millions represented amortization. This sum became applicable, as stated in the previous reports of the Trustee, to the amortization of the Railway bonds, leaving 10,774.5 millions outstanding as of September 1, 1929, as compared with the original 11 milliards issued at the beginning of the Dawes Plan.

During the Transition Period under The Hague Protocol the Railway Company continued to make monthly payments on account of the service of the Railway bonds under an agreement with the Agent General for Reparation Payments, the terms of which have already been summarized in a previous chapter. The payments under this agreement amounted to 55 million gold marks per month, less the agreed discount, and were made regularly on the first business day of each month, beginning with the month of October, 1929, and ending with the month of May, 1930.

e. The Trustee for the German Industrial Debentures.

The record of the industrial charge under the Dawes Plan is first presented, and then follows a brief summary of the Trustee's report.

1. Record of the Industrial Charge under the Dawes Plan.

During the five years of the Dawes Plan the concerns liable under the industrial charges law to make a contribution toward the Annuities have continued to effect the prescribed payments in accordance with the terms of the law and the Plan. The amounts thus paid, expressed in millions of gold marks, are shown in the following table :

1924-25.....	0
1925-26.....	125
1926-27.....	250
1927-28.....	300
1928-29.....	300
Total....	975

At the same time the concerns in question made the supplementary payments required by Article 10 of the law for the production of the industrial charge in order to constitute an adjustment and guarantee fund at the Bank for Industrial Debentures. These payments amounted to 10 per cent in addition to the sums representing the service of the industrial debentures, and the total for the five years of the Dawes Plan was accordingly 97.5 millions.

The balance sheet of the Bank as of December 31, 1929, shows the adjustment and guarantee fund at this figure.

The above-mentioned payments have been calculated, in accordance with the provisions of the industrial charges law and of the law for the production of the industrial charge, according to the working capital of the enterprises concerned. The rates have varied from time to time, inasmuch as the amount to be produced was not the same in each year as is shown by the table above. But since the charge reached its standard level of 300 million gold marks a year, the rate assessed has steadily declined, reflecting, as the Trustee remarks in his reports, a growth in the working capital of the concerns called upon to make the payments. The rates applied, calculated according to calendar years, have been as follows :

1926.....	3.5	per mille
1927	7.1	" "
1928.....	7.65	" "
1929.....	6.75	" "
1930.....	6.5	" "

2. Summary of the Trustee's Report.

The report of the Trustee for the German Industrial Debentures dated November 15, 1929, recorded the operations carried out by the Bank for German Industrial Debentures and the Trustee, during the fifth Annuity year under the Dawes Plan, in execution of the legislation governing the industrial charge. The Trustee was able to state for the fifth Annuity year that the concerns subject to the charge had continued to make the prescribed payments to the Bank for Industrial Debentures representing interest and amortization on the 5 milliards of industrial debentures, and that the Bank had duly paid over to the account of the Agent General the two half-yearly instalments of 150 millions gold marks each, under the arrangements described elsewhere in this Report. As a result of amortization, the Trustee explained, the nominal value of the securities held by him for the account of the creditor Powers had been reduced from the original amount of 5 milliards to 4,897.5 millions, at the end of the fifth Annuity year.

The first semi-annual instalment of 150 million gold marks which would have been payable in the sixth year of the Dawes Plan on April 1, 1930, was not transferred to the account of the Agent General owing to the fact that, following ratification of the Young Plan by Germany on March 26, 1930, the German Government was entitled from that time on, under the terms of The Hague Agreements, to pay only the Annuities due under the new Plan, and these were fully provided in April and May, 1930, out of the controlled revenues and the payments made by the German Railway Company. With the coming into force of the new Plan the Government of the Reich has taken over, for its own use, the April 1st instalment of 150 millions, as described elsewhere in this Report, in the chapter on the budget.

Under the Young Plan the industrial charge no longer serves either as a source or as a security for the Annuities payable by Germany, and Annex II to The Hague Agreement of January 20, 1930, stipulated that the industrial debentures themselves should be destroyed upon the coming into force of the new Plan. This destruction has now taken place, and the functions of the Trustee have thus come to an end. His final report will not be presented, however, until the final meeting of the shareholders of the Bank for Industrial Debentures which is to take place during the month of June, 1930, when the final accounts and balance sheet of the Bank are to be approved.

While the industrial charge is now extinguished on reparation account, the German Government is free to continue it for internal purposes, and is in fact retaining it, with certain modifications, for budgetary purposes, as explained in the chapter of the present Report which deals with the German budget. The Reich is also appropriating for budgetary purposes a portion of the reserve fund of the Bank for Industrial Debentures.

V. The German Budget.

During the financial year ended March 31, 1930, the German budget saw the culmination of the tendencies toward over-spending and over-borrowing which have been described in previous Reports and in the Memorandum of October 20, 1927, to the German Government. The year as a whole was under the shadow of the financial difficulties of the public authorities, and at times, particularly toward the end of December, 1929, there were periods of acute tension in the finances of the Reich and of some of the communes. Under pressure of these difficulties the first steps have been taken to put the financial position in order, but the whole problem of financial reform still calls most urgently for effective consideration and action.

Fundamentally, the situation has not changed, but the stage has been reached when energetic measures of reform can no longer be delayed without endangering the public credit and the development of the national economy as a whole. The public revenues, throughout the whole period of the Dawes Plan, have shown beyond a doubt that the necessary material for budgetary equilibrium exists, and that under prudent administration the resources available to the budget would be ample to meet all legitimate requirements. What has been lacking, however, is any determined effort to control public expenditures, and the result has been a constantly mounting level of expenditure, exceeding even the greatly increased revenues and culminating in the serious financial troubles of the past year. The immediate necessity, without doubt, is to put the public finances in order, and for this purpose increased taxes will undoubtedly have to be levied, at least for the time being. But attention needs to be directed primarily to the problem of controlling public expenditure, and until this problem is squarely faced and solved there can be no question of reductions in taxation. The problem, moreover, of controlling public expenditures is not confined to the immediate situation, or to the coming year alone. It is the fundamental budgetary problem, and it can only be solved by firm adherence to sound principles of public finance. What is needed, most of all, is the determination to keep the budget effectively in balance at all times and at all events, plus a recognition of the fact that public expenditures cannot be permitted to rise year after year at their recent pace without running the danger of drying up the sources of taxation and prejudicing the future development of the German economy.

Now, as Germany enters upon the execution of the Young Plan, which itself brings substantial relief through reductions in reparation payments, the problem presents itself with renewed force and in a form which calls more than ever for firm leadership on the part of the Reich and for sincere and comprehending support from the States and communes. The means are at hand, and the opportunity exists, to meet the problem on a basis that would enable the public finances to be brought into order, and that would also open the way to a resumption of the programme of tax reductions, in accordance with the views expressed by the Experts

of the Young Committee in their Report of June 7, 1929. Tax reductions, however, can only be made on the basis of assured reductions in expenditure, and up to the present time the level of expenditures appears to be rising rather than falling, and at a rate that gives no assurance even of effective budgetary balance, notwithstanding substantial increases in taxation. Under the new Plan the answer to the problem rests entirely with the German Government and the German people, and their decision will go far to determine the future course of German economic life and the position of German credit, at home and abroad.

The present Report deals first with the finances of the Reich and then with the finances of the States and communes, and traces their development through the past year against the background of the experience which has become available since the German budget was brought into balance in the first year of the Dawes Plan.

a. The Budget of the Reich.

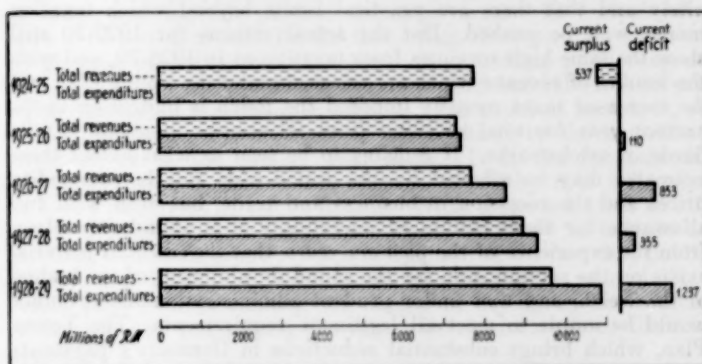
The events of the past year have fully confirmed the conclusions about the budget of the Reich which have appeared in previous Reports, not merely as to the existence of the essential basis for the sound development of the budget and the adequacy of the revenue resources of the Reich, but even more as to the urgent necessity of effective measures of reform in order to bring the budget into balance and restore order to the public finances as a whole. The budget of the Reich, it is clear, has not suffered from lack of revenues, though it has been shown in the past year that the great increases of previous years cannot be counted on to recur indefinitely and that there are practical limits beyond which taxation cannot well be pushed. But the actual returns for 1929-30 still show the same high revenues from taxation as in 1928-29, and with the sources of revenue which are released under the Young Plan and the increased taxes recently imposed the Reich is budgeting in the current year for total revenues from all sources of about 11 milliards of reichsmarks. It remains to be seen to what extent these estimates may be affected by the world-wide fall in commodity prices and the recession in business and trade, but even with full allowance for these factors of uncertainty it is abundantly clear, from the experience of the past six years, that the essential material exists on the revenue side for the sound development of the budget of the Reich, and that under prudent administration the revenues would be ample to meet all legitimate requirements. The Young Plan, which brings substantial reductions in Germany's payments to the creditor Powers, has greatly improved the position in this regard, not merely by giving direct relief to the budget but also by emphasizing Germany's sole responsibility to make the needed financial reforms.

The difficulties from which the budget of the Reich has been suffering are on the side of expenditure, and the trouble, in the main, has come from making public expenditures year after year beyond the limits of the available resources. During the past year, in particular, expenditures at times have exceeded not merely the regular resources from taxation and other current revenues, but

also what could be secured from loans and even from short-term borrowings. The result has been, twice during the year, in April and May, 1929, and again toward the end of December, to produce a state of acute tension in the cash position of the Reich and a situation of greater strain in the public finances than has existed at any other time since stabilization.

The causes which led to this situation have been described at length in previous Reports, and particularly in the Agent General's Memorandum of October 20, 1927, to the German Government. The difficulties have not been of sudden development, or of the past year alone. They have been gathering for three years or more, and their roots are to be found very largely in the series of new expenditure measures which were adopted in 1926 and 1927 and in the general lack of control over public spending and public borrowing to which the Memorandum drew attention. These dangerous tendencies have been developing from year to year, with cumulative effect, and in the financial year just closed they came to a head, under pressure of the weight of accumulating deficits and of the high interest rates and difficult credit conditions which prevailed during most of the year.

The general course of the budget of the Reich during the five years from 1924-25, when stabilization first became effective, up to the end of 1928-29, is illustrated by the following diagram, which shows the actual revenues and expenditures of these years and the results of each year as expressed in current surplus or deficit:



Comparative revenues and expenditures of the Reich.

The revenues and expenditures shown in this diagram are on the same basis as the consolidated budget statement of the Reich which appears on page 102. The figures are all based on the final accounts, and they show the total current revenues and expenditures of each year, without distinction between the ordinary and extraordinary budgets. The revenues do not include proceeds of borrowings, or transfers of surplus from one year to another. In the first two

years, it will be observed, total expenditures remained below 7,500 million reichsmarks a year, and the small current deficit in 1925-26 was more than covered by the surplus of the previous year. But in the three succeeding years expenditures increased by leaps and bounds, and in 1926-27, 1927-28 and 1928-29, taken together, the aggregate current expenditures exceeded even the greatly increased current revenues by a total of 2,445 million reichsmarks. Of this deficit 1,237 millions fell in the year 1928-29, notwithstanding the fact that current revenues in that year reached a total of 9,651 millions, or 1,961 millions more than the total current revenues in 1926-27, two years before. This series of deficits completely exhausted the surplus remaining over from the years 1924-25 and 1925-26, as well as the special working fund of 252 millions which had been established by the Treasury outside the budget in 1924-25 out of seigniorage on the coinage. The remaining deficit was covered to some extent by recourse to long-term loans, from which a total of 553 millions was realized during the three years, but the final accounts for the year 1928-29 still showed an uncovered net deficit outstanding at the end of the year to the amount of 859 million reichsmarks. The difficulty of carrying this accumulated deficit put a heavy burden from the outset on the financial year 1929-30, and the position became further aggravated during the year as expenditures again outran the revenues from all sources and led to a new current deficit. The final accounts for 1929-30 are not yet available, and the figures for this year are therefore not included in the diagram. But it appears from the results thus far announced that the current deficit is again a substantial one, and that it will amount to between 600 and 650 millions even after taking into account about 600 millions of savings realized by this budget from the adoption of the Young Plan. Of this indicated deficit about 340 millions have been covered by loans issued during the course of the year, so that the net deficit carried forward will amount to between 260 and 310 millions, in addition to the accumulated deficit of 859 millions from previous years, or between 1,120 and 1,170 millions in all.

The development of the budget of the Reich during the financial year 1929-30 is presented in further detail in the following pages, with comparative figures for the previous five years and the latest official indications as to the prospects for the new financial year which opened April 1, 1930. It is unnecessary to anticipate the figures, which largely speak for themselves, but it is worth pointing out, for its bearing on the future, that the budgetary troubles of the Reich may be traced very clearly to the following causes:

First, and foremost, there has been no effective recognition of the principle that the Government must live within its income. Revenues have been ample, and, notwithstanding the important reductions in taxation that were made in the earlier years, have risen to an estimated total of 10,061 millions in 1929-30, as compared with 7,757 millions in 1924-25 and 8,961 millions in 1927-28. These revenues would have been adequate to meet all legitimate require-

ments of the Reich, and even to provide a reasonable margin of safety, if only a firm financial policy had been pursued. For the past four years, however, the Government has always spent more than it received and at times, especially during 1929-30, it has made commitments to spend even more than it could borrow. The Reich itself has been one of the worst offenders against the principle which was announced, in the strongest possible terms, in the survey prepared by the Finance Ministry which accompanied the draft budget for 1929-30, as follows:

“Once the principle of covering all expenditures by revenues is abandoned, the dam against the rising tide of expenditure collapses. Neither the Government nor Parliament will then be able to stem the flood. The disorder once admitted will not be restricted to the year of the deficit but will extend to an increasing degree to future years. Nor will the deficit be confined to the public finances; it is like a running sore which infects all the members of the national economy.”

The first condition of return to a sound position is an absolute determination to hold public expenditures within the limits of the available revenues, and, in addition, to leave a sufficient margin of safety to give the Government protection against emergency demands that may arise and the possibility of applying some surplus, year by year, to debt reduction. What is most needed is a firm resolve on the part of the Government to live within its income. This is a simple programme which can be readily and effectively applied, but it requires a real exercise of will on the part of the Government itself and an abandonment of the easy theory of the “inevitability” of public expenditures.

Second, the Government has failed year after year to make the reforms which have been so frequently promised and which the Government itself recognizes as fundamental to the sound construction of the budget. The financial settlement between the Reich and the States and communes, the reform of which was expected in connection with the adoption of the Dawes Plan, is still governed by provisional financial arrangements which put an arbitrary drain on the finances of the Reich. Up to this time, notwithstanding repeated statements that the problem was to be taken in hand, nothing whatever has been accomplished in the direction of giving the necessary protection to the budget of the Reich. The general reform of administration, which was definitely promised as long ago as 1927, has not yet been undertaken, and the whole problem of reducing the costs of government by rationalizing the public administrations remains to be examined. The reform of the system of unemployment insurance, which had become a pressing problem as early as the winter of 1928-29, was completely neglected until the end of December, 1929, when measures were finally taken, under pressure of the prevailing cash necessities, to raise the contributions from employers and employed. But it was too late to put the system on a self-supporting basis over the winter of 1929-30, and the advances which have had to be made from the budget have put a heavy drain on the finances of the Reich, which threatens to be

continued well into the future unless effective measures can be taken without further delay. The difficulties which confront the German Government in dealing with these various problems may well be recognized, and the problem of unemployment insurance, in particular, has been aggravated by the persistent high level of unemployment during the past year. But until now there has been no apparent disposition to face the issue squarely, and matters have already drifted to such a point that the Government seems to be finding itself in more difficulties from continued failure to meet these problems than it would be likely to find in resolutely endeavoring to solve them.

Third, there is the practice, much followed in the past five years, of adopting new measures by legislation or decree without adequate consideration or even knowledge of their financial consequences. Once adopted, moreover, these measures soon give rise to interests which the Government becomes reluctant or unwilling to attack, no matter how burdensome the consequences for the budget. One of the worst cases of this kind was the general increase in the salaries and pensions of officials, announced by the Finance Minister of the Reich on September 14, 1927, and applied as from October 1, 1927, not merely to the administration of the Reich but also to the States and communes, the Post Office and the German Railway Company. These increases, as pointed out in the Memorandum of October 20, 1927, were "made on the most sweeping basis, and in the way most likely to bring serious consequences for the general economy of the country". It would seem, the Memorandum further remarked, that "the German Government could have served its own interests better by using such substantial increases as an instrument for securing the reform in administration of which so many announcements have been made in the past two or three years. It may not even be too late now to make the salary increases serve this purpose. But as matters stand at present, they seem likely to hinder rather than to help the cause of administrative reform, and to saddle new and lasting burdens on the already heavily-burdened budgets of the Reich and the other public authorities". These views have been more than confirmed by events. The reform of administration has not yet been accomplished, and the costs of the general increases in salaries and pensions, which in practice far exceeded the original estimates, have proved to be one of the most stubborn factors behind the constantly rising level of public expenditure. Numerous other examples of the adoption of new measures of expenditure without regard to the financial consequences are to be found throughout the record of the past few years. These measures have contributed very greatly to the budgetary difficulties of the Reich, but even when their financial effects have become apparent the theory of the inevitability of expenditure is so strongly held that no steps have been taken to correct them.

Fourth, the budget as a whole is still wrapped in such obscurity, particularly at the time when it comes before the Reichstag, that it lacks the salutary checks which it would otherwise get from public

opinion and from the Parliament itself. There is, for example, a growing tendency to provide for expenditures outside the budget by assigning special receipts to special purposes, and in the draft budget for 1930-31 this practice has been carried so far as to separate almost the whole body of transfers to the States and communes from the general budget of the Reich. The budget is further confused by the division between the ordinary and extraordinary budgets and the transfers between them, and perhaps more than anything else by the system of carrying forward revenue and expenditure estimates from previous years without making allowance for the expected results in the budget estimates for the current year. Under the prevailing system, which is discussed in greater detail in later sections, the budget is never presented to the Reichstag on a real cash basis, and frequently it is not until the expenditures have already been made and the deficit already incurred that the Parliament gets a clear picture of the situation. The inevitable result has been to encourage the growth of unsound financial practices, and to deprive the budget of the natural checks that would be provided by clear and straightforward budgetary practice and accounts.

These various sources of difficulty are, of course, more or less related to each other, and they have conspired together in the past few years to produce the constantly rising volume of public expenditure which is at the root of the budgetary troubles of the Reich. The problem of checking public expenditure has become more than ever the vital budgetary problem of the German Government, and the time has come when a solution has to be found for it, not merely from the standpoint of budgetary stability but in the general interests of the country's economic life and of its credit at home and abroad. The problem is one which can be solved if the will to solve it exists, and it remains true, as stated in previous Reports, that there is nothing in the situation which will not yield to the application of sound principles of public finance. Most important of all, the essential material exists, in sources of revenue which have proved their vitality even in times of great stress, but which themselves must be treated with respect if their productivity is to be maintained and a flight from taxation avoided.

With the coming into force of the Young Plan the German Government has not only the full responsibility but also the normal incentive to do the things and carry out the reforms which are clearly needed in the country's own interest. Germany now knows, for the first time, the full extent of her international obligations, and the German public authorities are now able to make their calculations with reference to known liabilities. In this regard the coming into force of the Young Plan marks a fundamental change in the situation. It is itself an act of confidence in Germany's good faith and financial integrity, and it calls for a corresponding effort on the German side, now that her international obligations are finally fixed and all foreign controls removed, to put the public finances in order and to do the things which are necessary to maintain the capacity of Germany to discharge the obligations which she has assumed.

1. Comparative Budget Statements.

A consolidated budget statement of the Reich, showing the results of the five completed financial years 1924-25 to 1928-29, inclusive, is presented on page 102. This statement also shows the final budget estimates for the financial year 1929-30, including for this purpose the revenue and expenditure estimates brought forward outside the budget from the year 1928-29. The figures for 1930-31 are not included in the table, since the draft budget is still under discussion in the Reichstag and the estimates may be substantially modified before the budget is finally voted. The draft estimates for 1930-31, however, are summarized and discussed in a subsequent section.

The consolidated budget statement herewith presented has been further simplified, as compared with previous Reports, by eliminating from the revenues the surplus brought forward, under German budgetary practice, as additional cover to meet commitments transferred from previous years. These transfers of surplus represent, in effect, revenues collected in previous years rather than current revenues, and the consolidated statement now presented accordingly classifies them under the heading of transfers from previous years rather than as current revenues. Since the last Report the final accounts for 1928-29 have become available, and the figures now given for the five financial years 1924-25 to 1928-29, inclusive, are all taken from the final accounts. For the financial year 1929-30, the figures given are those of the budget estimates, as modified by the supplementary budget, plus the outstanding revenue estimates and expenditure authorizations brought forward from 1928-29. The previous Report, it will be recalled, presented only the estimates for 1929-30 as embodied in the budget enacted on June 29, 1929, but these estimates have been substantially changed by the supplementary budget and even in the first instance, in accordance with German budgetary practice, they did not include revenue estimates and expenditure authorizations brought forward from 1928-29. The detailed figures for the items thus brought forward have since become available, with the presentation of the final accounts for 1928-29, and in the consolidated statement now presented they are included in the 1929-30 estimates, since they represent budgetary authorizations which remained effective during the year. The supplementary budget for 1929-30 which was enacted at the end of the financial year materially changed the estimates of both revenues and expenditures for the year, by correcting the artificially high estimates of revenues and the artificially low estimates of expenditures that appeared in the budget as originally voted, by bringing into account the savings that become available under the Young Plan, and also by providing for the large volume of additional expenditures which developed during the year.

In order to show the budgetary situation as a whole, the following statement consolidates the ordinary and extraordinary budgets of the Reich, and makes no distinction between the so-called ordinary and extraordinary items of revenue and expenditure. This does not accord with German budgetary practice, which attempts to

Consolidated budget statement of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ²
<i>Current revenues</i>						
Tax revenues	7,322	6,856	7,175	8,490	9,025	9,096
Administrative revenues	435	478	515	471	626	815
Industrial charge	—	—	—	—	—	150
Total revenues	7,757	7,334	7,690	8,961	9,651	10,061
<i>Current expenditures</i>						
Tax transfers to States and communes.....	2,770	2,596	2,626	3,016	3,413	3,299
General administration	1,521	1,884	2,156	2,296	2,401	2,399
Service of the public debt	450	262	421	512	502	673
Charges arising out of the war						
Execution of Dawes Plan	—	291	550	899	1,220	665
Execution of Young Plan	—	—	—	—	—	410
Internal charges ³	2,108	1,513	1,496	1,560	1,915	1,752
Social expenditures	259	507	811	766	1,101	1,345
Investments, loans, etc.	112	391	483	267	334	305
Total expenditures ⁴	7,220	7,444	8,543	9,316	10,888	10,846
Current surplus	537	—	—	—	—	—
Current deficit	—	110	853	355	1,237	785
<i>Transfers from previous years</i>						
Surplus brought forward as addi- tional cover to meet commit- ments transferred from previous years	—	396	382	59	55	—
Surplus brought forward as cover for current deficit	—	276	400	200	162	—
Deficit brought forward into 1929-30	—	—	—	—	—	Def. 704
Transfers from special working fund	—	—	—	190	62	—
Surplus after foregoing transfers	537	562	—	94	—	—
Deficit after foregoing transfers ⁵	—	—	71	—	959	1,489
<i>Proceeds of loans</i>						
From loans actually issued	355	—	329	123	101	—
From loans authorized to be issued	—	—	—	—	—	1,192 ⁶
Cumulative surplus indicated in the accounts	892 ⁵	562	258	217	—	—
Cumulative deficit indicated in the accounts ¹	—	—	—	—	859 ⁶	298 ⁷

¹ Differences due to rounding off.

² Including war pensions, partly estimated.

³ Including the estimates of the supplementary budget, together with 169 millions of estimated revenues and 443 millions of authorizations of expenditure brought forward from 1928-29 and 51 millions of current revenues and expenditures in excess of the budget estimates for the reason explained on page 112.

⁴ Including 978 millions of loan authorizations brought forward from 1928-29.

⁵ Of this surplus 652 millions were transferred to 1925-26 and 220 millions to 1926-27.

⁶ Of this deficit 704 millions were transferred to 1929-30 and 154 millions still remain to be transferred to 1930-31.

⁷ This figure represents only the deficit for 1929-30, since in the estimates the ordinary budget deficit from 1928-29 (154 millions) has not been included and the cumulative deficit in the extraordinary budget (1,192 millions) has been covered merely by an equivalent amount of loan authorizations.

distinguish between the ordinary and extraordinary items, even to the extent of carrying them in separate budgets. This practice, as indicated in previous Reports, has been the source of much confusion in the finances of the Reich, and it has had an insidious influence on the development of the budget, particularly in the past three or four years, through its tendency to obscure the existence of budgetary deficits. This confusion has been heightened by the important changes in classification which have been made during the past few years as between the ordinary and extraordinary budgets, and still more by the practice of making inter-budgetary transfers, not merely as between the ordinary and extraordinary budgets but also from one year to another.

Two tables are presented on pages 104 and 105 for the purpose of showing the separate development of the ordinary and extraordinary budgets during the five financial years 1924-25 to 1928-29, inclusive. The tables also give the definitive estimates for 1929-30. The consolidated statement already presented on page 102 is a combination of these two tables, and the three statements should be read together in order to get a clear picture of the development of the budget of the Reich. It will be noted that the ordinary budget, taken separately, has generally shown a surplus until 1928-29, but that the extraordinary budget has consistently shown a large current deficit, even after taking into account the proceeds of loans actually issued. The combined result, as appears from the consolidated statement, has been a current deficit in the consolidated budget in each year since 1924-25, culminating in the deficit of 1,237 millions in 1928-29, and in the further deficit of 785 millions indicated by the definitive estimates for 1929-30. For the greater part of the time, however, the real position has been obscured by maintaining the ordinary and extraordinary budgets as separate budgets, and by the practice of transferring revenue estimates and expenditure authorizations from one year to the next.

According to German budgetary practice, revenue estimates and expenditure authorizations brought forward from previous years are not included in the budget estimates, and no allowance is made for them in the budget which is submitted to the Parliament. In other words, these transfers, no matter how substantial, are not reflected in the budget which is voted by the Reichstag, and the figures involved do not become available until the final accounts of the previous year are presented, usually some three months or so after the beginning of the financial year. Even then, the effect of the transfers is obscured by including authorizations of loans among the revenue estimates transferred, and by counting these loan authorizations against outstanding expenditure authorizations in calculating the cover required to meet commitments transferred from previous years. The result is to create for the time being an appearance of budgetary equilibrium, and all too frequently the year is far advanced before it becomes evident that a large current deficit has developed from the execution of the expenditure authorizations and the failure to realize on the loan authorizations brought forward under the guise of revenue estimates.

Ordinary budget of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ²
<i>Current revenues</i>						
Tax revenues	7,322	6,856	7,175	8,490	9,025	9,096
Administrative revenues	241	335	512	457	606	670
Industrial charge	—	—	—	—	—	150
Total revenues	7,563	7,191	7,687	8,947	9,631	9,916
<i>Current expenditures</i>						
Tax transfers to States and com- munes	2,770	2,596	2,626	3,016	3,413	3,299
General administration	1,521	1,862	2,098	2,236	2,400	2,399
Service of the public debt	169	126	342	500	502	667
Charges arising out of the war						
Execution of Dawes Plan						
Budget contribution and transport tax	—	146	433	832	1,201	665
Execution of Young Plan						
Budget contribution and service of German External Loan, 1924	—	—	—	—	—	410
Internal charges						
War pensions ¹	833	1,153	1,155	1,300	1,482	1,407
Liquidation of war damages and other internal charges	933	358	324	252	433	346
Social expenditures						
Social insurance subsidies	129	259	284	345	439	612
Unemployment relief	36	163	426	206	176	185
Advances to unemployment insurance institute	—	—	—	—	—	263
Other social expenditures	94	85	101	97	101	93
Investments, loans, etc.	11	78	126	39	83	72
Total expenditures ³	6,495	6,828	7,914	8,823	10,232	10,414
Current surplus	1,068	363	—	124	—	—
Current deficit	—	—	227	—	601	498
<i>Transfers</i>						
Transfers from previous surplus						
Brought forward as additional cover to meet commitments transferred from previous years	—	262	382	348	520	200 ⁵
Other transfers from previous surplus	—	276	400	200	162	—
Transfer from special working fund	—	—	—	190	—	—
Less: transfers to extraordinary budget	-309	-340	— 6	-181	— 35	—
Cumulative surplus indicated in the accounts ⁴	759 ⁴	562	548	682	46	—
Cumulative deficit indicated in the accounts	—	—	—	—	—	208 ⁶

¹ Partly estimated.

² Differences due to rounding off.

³ Including the estimates of the supplementary budget, together with 149 millions of estimated revenues and 350 millions of authorizations of expenditure brought forward from 1928-29, and 51 millions of current revenues and expenditures in excess of the budget estimates for the reason explained on page 112.

⁴ Of this surplus 539 millions were transferred to 1925-26, and 220 millions to 1926-27.

⁵ Since only 46 millions actually were available as cover from the surplus of the preceding year, there remains a deficit of 154 millions which will have to be transferred to 1930-31 in accordance with the fundamental budget law.

⁶ This figure does not fully reflect the net cumulative deficit, since it fails to take account of the deficit of 154 millions remaining over from 1928-29.

Extraordinary budget of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ²
<i>Current revenues</i>						
Administrative revenues						
Interest and repayment of loans	83	—	—	—	15	141
Miscellaneous	111	142	2	14	4	4
Total revenues	194	142	2	14	19	145
<i>Current expenditures</i>						
General administration						
Navy	—	19	29	57	—	—
Miscellaneous, including Army	—	4	29 ³	3	—	—
Service of the public debt	282	136	79	12	—	6
Charges arising out of the war						
Execution of Dawes Plan						
Budget contribution in lieu of utilization of Railway pref- erence shares	—	145	104	—	—	—
Reserve fund, Commissioner of Controlled Revenues ...	—	—	13	67	20	1
Internal charges	342	1	17	8	1	—
Social expenditures						
Productive unemployment relief	—	—	—	118	124	43
Advances to unemployment in- surance institute	—	—	—	—	260	150
Investments, loans, etc.						
Purchase of bonds of Reich loans	—	—	—	—	105	— ⁵
Mortgages on dwellings, ad- vanced to States	—	—	138	49	4	6
Participation in Preussenkasse	—	—	—	—	—	50
Capital expenditures for						
Agricultural settlements	—	—	27	53	46	79
Construction of waterways ..	35	42	51	63	55	60
Miscellaneous	66	271	141	63	40	37
Total expenditures ¹	725	617	628	492	656	432
Current deficit ¹	531	474	626	478	637	287
<i>Transfers</i>						
Transfers from previous years	—	133	—	Def.290	Def.465	Def.905
Transfers from ordinary budget	309	340	6	181	35	—
Transfer from special working fund	—	—	—	—	62	—
Deficit after foregoing transfers ¹	222	—	620	587	1,005	1,192
<i>Proceeds of loans</i>						
From loans actually issued	355	—	329	123	101	—
From loans authorized to be issued	—	—	—	—	—	1,192 ⁴
Surplus indicated in the ac- counts	133	—	—	—	—	—
Cumulative deficit indicated in the accounts ¹	—	—	290	465	905	— ⁶

¹ Differences due to rounding off.

² Including the estimates of the supplementary budget together with 20 millions of estimated revenues and 93 millions of authorizations of expenditure brought forward from 1928-29.

³ Includes 28 millions for a special repayment to the ordinary budget.

⁴ Includes 978 millions of loan authorizations brought forward from 1928-29.

⁵ The budget law of 1929-30 contains instead a general authorization for the purchase of bonds of Reich loans, to maintain their rate in the market.

⁶ The equilibrium in 1929-30 is predicated on the realization of 1,192 millions of loans during the year. The proceeds of loans actually realized in 1929-30 were 342 millions.

The following table shows for the financial years 1925-26 to 1929-30, inclusive, the revenue estimates and expenditure authorizations transferred from previous years. The figures are taken in each case from the final accounts of the preceding year, and they show the separation between the ordinary and extraordinary budgets. No figures are given for 1924-25, the year of stabilization, since the budgetary accounts for that year were started fresh, without bringing over revenue estimates or expenditure authorizations from previous years.

Revenue estimates and expenditure authorizations transferred from previous years (In millions of reichsmarks)	1925-26	1926-27	1927-28	1928-29	1929-30
<i>Revenue estimates</i>					
Administrative and other revenues					
Ordinary budget	—	14	74	160	149
Extraordinary budget	29	1	—	—	20
	29	15	74	160	169
Authorizations of loans					
Extraordinary budget	—	100	572	724	978
Totals	29	115	646	884	1,147
<i>Expenditure authorizations</i>					
Ordinary budget	262	396	423	681	350
Extraordinary budget	163	100	282	259	93
Totals ¹	425	497	705	939	443
Excess of expenditure authorizations over revenue estimates transferred	396	382	59	55	—
Excess of revenue estimates over expenditure authorizations transferred	—	—	—	—	704 ²

¹ Differences due to rounding off.

² Indicates deficit brought forward to be covered in this year.

This table shows very clearly the importance of the part which transfers from previous years have played in the development of the budgetary position of the Reich and the extent to which the budgetary calculations have been thrown out of gear by the failure to take proper account of these transfers in the budget estimates. In each year, it will be noted, there was a large volume of expenditure authorizations brought forward from previous years, rising in 1928-29 to a total of 939 millions, or about 10 per cent of the budget estimates of current expenditure. These expenditure authorizations, for the most part, expressed themselves in actual expenditures during the course of the year, which are reflected in the total expenditures shown in the final accounts. According to the German practice, however, cover was provided, as will be seen from the consolidated statement on page 102, only to the extent of the excess of expenditure authorizations over revenue estimates transferred, though it has been proved year after year, beginning with 1925-26, that this bookkeeping excess of expenditure authorizations over revenue estimates does not sufficiently reflect the

actual cover requirements, owing to the fact that the revenue estimates transferred consisted so largely of unrealized and unrealizable authorizations to borrow. Tax revenues, it should be noted, are not brought forward from previous years even under the German practice, and the revenue estimates transferred, therefore, fall entirely into the two categories of "administrative and other revenues" and "authorizations of loans".

The effects of this system are further illustrated in the estimates for the financial year 1929-30, as originally voted. The budget for this year, which was enacted June 29, 1929, called for total expenditures of 10,130 millions in the ordinary and extraordinary budgets taken together, as against estimated revenues to a total of 9,966 millions, leaving a deficit of 164 millions which was to be covered by the proceeds of loans to be issued. When the final accounts for 1928-29 became available, however, it appeared that a total of

Development of the budget estimates of the Reich, 1929-30 (In millions of reichsmarks)	Authorizations brought forward from 1928-29	Estimates as voted for 1929-30		Total estimates ¹
		Original budget ²	Supplementary budget	
<i>Current revenues</i>				
Tax revenues	—	9,325	— 229	9,096
Administrative revenues	169	641	4	815
Industrial charge	—	—	150	150
Total revenues	169	9,966	— 75	10,061
<i>Current expenditures</i>				
Tax transfers to States and communes	12	3,272	15	3,299
General administration	153	2,208	37	2,399
Service of the public debt	122	508	43	673
Charges arising out of the war				
Execution of Dawes Plan	—	1,541	— 875	665
Execution of Young Plan	—	—	410	410
Internal charges ³	55	1,552	146	1,752
Social expenditures	51	857	437	1,345
Investments, loans, etc.	50	193	61	305
Total expenditures ³	443	10,130	273	10,846
Current deficit	274	164	348	785
<i>Transfers from previous years</i>				
Deficit transferred from 1928-29 ...	704 ⁴	—	—	704 ⁴
Total deficit	978	164	348	1,489
<i>Proceeds of loans</i>				
From loans authorized to be issued ..	978	164	50	1,192
Deficit indicated in the estimates ¹ ..	—	—	298	298 ⁴

¹ Differences due to rounding off.

² Including war pensions, partly estimated.

³ Including 51 millions of current revenues and expenditures in excess of the budget estimates for the reason explained on page 112.

⁴ This figure does not include the additional deficit of 154 millions from 1928-29, which still remains to be transferred to 1930-31.

443 millions of expenditure authorizations had been carried forward into 1929-30, thus swelling the expenditure estimates for the year to 10,573 millions, and that administrative and other revenues to the amount of 169 millions were also being brought forward, making total estimated revenues of 10,136 millions for the year, excluding authorizations of loans. On this basis, the budget for 1929-30 really opened with an estimated deficit of 438 millions instead of 164 millions. At the same time 978 millions of loan authorizations were brought forward from 1928-29, in addition to the 164 millions of new authorizations of loans carried in the 1929-30 budget, making a total of 1,142 millions of loans which would have to be issued in order to provide budgetary cover, in part for the 1929-30 deficit of 438 millions and the rest for that part of the cumulative deficit from previous years which was transferred to 1929-30, to the amount of 704 millions. Even then, as appears from the consolidated budget statement on page 102, there remained an uncovered deficit of 154 millions from previous years which will have to be covered in 1930-31, in accordance with the requirements of the fundamental budget law.

The development of the budget estimates of 1929-30 is shown more fully in the foregoing table, which indicates separately the authorizations carried forward from 1928-29, the original estimates voted in June, 1929, and the supplementary estimates voted in March, 1930. The effect of the authorizations transferred from 1928-29 is clearly indicated in the table, which also shows the further growth in the current deficit resulting from the supplementary budget, a summary of which is given below.

The supplementary budget of the financial year 1929-30, enacted March 29, 1930, is summarized in the table on page 107. It reduced the original budget estimates of tax revenues by 229 millions and increased the expenditures, other than those in execution of the Dawes Plan and the Young Plan, by 738 millions, thus making a total worsening of 967 millions. The resources which the supplementary budget brought in as cover for these additional requirements consisted of 4 millions of additional administrative revenues, 150 millions representing the instalment of the industrial charge due April 1, 1930, and 464 millions of savings to be realized on the coming into force of the Young Plan, or 619 millions in all. Of the resulting deficit of 348 millions, 50 millions, representing the extraordinary budget deficit, were covered by an authorization to borrow, leaving a current deficit of 298 millions in the ordinary budget.

As a result of the modifications introduced by the supplementary budget, as the last column of the table shows, the total revenue estimates for the year were reduced to 10,061 millions, and the expenditures were increased to 10,846 millions, leaving a current deficit of 785 millions in the consolidated budget. The total deficit requiring cover in the year, including 704 millions of deficit transferred from 1928-29, thus amounted to 1,489 millions. Of this total 1,192 millions were in the extraordinary budget and the cover provided consisted of authorizations to issue loans to the amount of 1,192 millions. There remained a deficit of 298 millions in the

ordinary budget, which is to be transferred for cover to 1930-31. It should be observed, however, that the deficit of 154 millions in the ordinary budget of 1928-29, which was not covered in 1929-30, will also have to be covered in 1930-31.

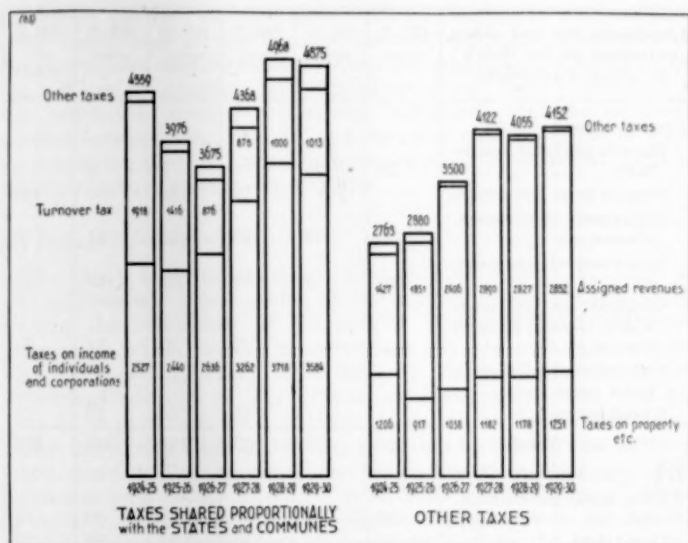
The Finance Minister in his budget speech of May 2, 1930, estimated that the ordinary budget deficit of 298 millions shown in the table will be increased to 360 millions in the final accounts as the result of a further falling off in tax receipts, and a further increase in the advances to the unemployment insurance institute beyond the figures of the supplementary budget. As regards the extraordinary budget, the deficit at the end of the year, as indicated in the subsequent section relating to this budget, may be estimated as amounting to between 800 and 850 millions. Thus it appears that the year 1930-31 will be burdened at the outset with an accumulated deficit of about 515 millions ($154 + 360$) in the ordinary budget, and with a deficit of between 800 and 850 millions in the extraordinary budget.

2. Analysis of Revenues.

The comparative figures of the tax and administrative revenues for the six-year period are given in the accompanying tables. The figures for the five years 1924-25 to 1928-29 show the actual returns of these years. The 1929-30 figures of the tax revenues are the provisional results of the year but may be regarded as subject only to unimportant adjustments in the final accounts. The figures given in the table for the administrative revenues in 1929-30, however, are merely those of the budget estimates and must be taken with reserve. The actual administrative revenues received in the period April 1, 1929, to March 31, 1930, are shown in a later section, but the figures remain subject to adjustment and will not be finally known until the closing of the accounts towards the end of May, 1930. With the supplementary budget for 1929-30 a new item of revenue has appeared in the budget estimates under the heading "industrial charge", representing the appropriation to the use of the Reich of the 150 millions which would have been payable under the Dawes Plan as the April 1, 1930, instalment for the service of the industrial debentures.

(a) Tax revenues.

The table on page 110 gives the details of the tax revenues for the six-year period, and their development is further indicated in the diagram which appears on page 111. The dominant fact in the revenue returns has been the steady year-to-year increase in the aggregate tax revenues from 1925-26, when important tax reductions became effective, through 1928-29. The tax revenues increased 319 millions in 1926-27, as compared with those of the preceding year; a further 1,315 millions in 1927-28; and a further 534 millions in 1928-29. These increases, of course, have been cumulative in effect, and in 1928-29 the total tax revenues available to the budget amounted to 9,025 millions as compared with 6,856 millions in 1925-26, representing an increase of about 2,169 million reichsmarks over the three-year period.



Tax revenues of the Reich.

(In millions of reichsmarks)

Tax revenues in 1929-30 are provisionally reported to have amounted to 9,026 million reichsmarks, an increase of only 1 million over the returns of 1928-29, notwithstanding the increased rates for certain taxes which were made effective during the course of the year. The tax revenues have thus been fully maintained at the unprecedentedly high level established in 1928-29, but the continuing growth which had been counted upon when the budget was adopted did not materialize. The actual returns, in fact, proved to be nearly 300 millions below the estimates included in the budget as enacted on June 29, 1929, and 70 millions below the corrected estimates appearing in the supplementary budget which was voted toward the end of March, 1930. Unlike administrative revenues the tax revenues estimated but not actually realized during the year are not carried forward to the succeeding year. The course of the tax revenues in 1929-30 is analyzed in detail in the section dealing with that year.

(b) Administrative and other revenues.

The administrative and other revenues for the five-year period, with the latest estimates for 1929-30, are summarized in the table on page 112.

The estimates for 1929-30, it will be observed, were larger than the administrative receipts actually realized in any of the five preceding years. This was due to the inclusion of three exceptional items of revenues: (1) an estimated increase in the surplus to be paid over by the Reichspost, consisting in part of an emergency transfer of 35 millions "in aid of the Reich"; (2) the estimated repayment of 120 millions in respect of advances made to the States

Administrative and other revenues of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ²
FROM INVESTMENTS, ETC.						
Share in profits of Reichs- bank	56	12	4	6	5	5
Surplus from Reichspost	—	—	12	70	150	192 ³
Repayment of advances, interest, etc.	60	49	128	19	21	6
Repayment of relief loans, etc.	20	5	17	31	50	193
Dividend on preference shares, German Railway Company	—	—	3	30	51	51
Utilization of holdings in Reich loans	—	—	—	—	—	51
Miscellaneous	11	11	16	29	22	21
Totals¹	147	77	180	185	300	519
FEES, PENALTIES, ETC.						
Fees, fines, patent dues, etc.	53	59	48	53	50	50
Canal dues	26	26	32	32	29	33
Finance Ministry, mis- cellaneous	51	37	44	49	48	48
Other miscellaneous ...	58	65	62	52	61	36
Totals	188	187	186	186	188	167
SEIGNIORAGE ON THE COINAGE	100	214	149	100	137	129
Grand totals¹	435	478	515	471	626	815
¹ Differences due to rounding off. ² Including the estimates of the supplementary budget, together with 169 millions of estimated revenues brought forward from 1928-29 and 51 millions of current revenues in excess of the budget estimates for the reason explained below. ³ Made up as follows: 20 millions from original appropriation of 1928-29 Reichspost surplus, 20 millions from supplementary appropriation of 1928-29 Reichspost surplus, 152 millions from appropriation of 1929-30 Reichspost surplus. The first item was brought forward from 1928-29 and the remaining two items were included in the 1929-30 budget of the Reich.						

for mortgages on dwellings in 1926-27; and (3) the use, instead of cash, of 51 millions of bonds of Reich loans already held by the Reich, to make the sinking fund payment for the year in connection with the revalorized debt. The last item does not appear in the revenue estimates of the budget, but since provision for the utilization of 51 millions of bonds of Reich loans for this purpose was contained in the budget law of 1929-30, the item has been brought into the statement of administrative and other revenues, and a like amount has been added to the appropriation for the service of the debt in the expenditures.

In addition to these exceptional items, the administrative revenue estimates for 1929-30 included estimates brought forward from 1928-29 to the amount of 169 millions. Unlike the tax revenues, the administrative revenues estimated to be due but not realized during the year are transferable to the succeeding year, and

the items carried forward into 1929-30 comprised 129 millions from seigniorage on the coinage, 20 millions from the surplus of the Reichspost, and 20 millions from the repayment of relief loans, etc. When the accounts for 1929-30 are finally closed, that part of the estimated revenues remaining unrealized will be similarly carried forward into 1930-31, and this fact must be borne in mind in comparing the total administrative revenue estimates of 1929-30 with the actual receipts in 1928-29.

(c) Industrial charge.

The final revenue estimates for 1929-30 include an item of 150 millions which was added by the supplementary budget, representing the instalment of the service of the German industrial debentures which would have become payable under the Dawes Plan on April 1, 1930. This sum, by virtue of the Transitory Provisions adopted at The Hague on January 20, 1930, did not have to be paid over for reparation purposes on April 1, 1930, and under the Young Plan it becomes available to the German Government, since under the new Plan the industrial charge no longer figures as part of the Annuities to be paid by Germany. The law of April 3, 1930, authorized the Reich to appropriate the April 1, 1930, instalment for budgetary purposes, and on the basis of this authorization, which became effective upon the coming into force of the Young Plan, the sum of 150 millions was included in the 1929-30 revenues under the supplementary budget.

3. Analysis of Expenditures.

The comparative figures of expenditures for the six-year period, from 1924-25 to 1929-30, inclusive, are presented in further detail in the sections immediately following, classified according to the six main groups which are shown in the consolidated budget statement. The figures of the first five years are those of the final accounts. The 1929-30 figures, it will be recalled, are those of the original and supplementary budget estimates, aggregating 10,403 millions, plus 443 millions of expenditure authorizations brought forward from 1928-29. The total effective expenditure authorizations for the year, as indicated in the consolidated budget statement, thus amounted to 10,846 millions, or about 42 millions less than the actual expenditures in 1928-29. The actual development of expenditures during the period April 1, 1929, to March 31, 1930, is discussed later in this chapter in the section dealing with the year 1929-30.

(a) Transfers to the States and communes.

The payments to the States and communes constitute the largest item of expenditure in the budget of the Reich, and they are still being made under provisional financial arrangements which require the Reich to pay over a large share of its tax revenues each month to the States and communes, in addition to special payments for police and other purposes. There have been four different financial settlements between the Reich and the States and communes in

the period from February 1, 1924, and March 31, 1930. All of them have been described as provisional, and after each new settlement the Government has announced its intention to make the next settlement definitive and to use the intervening time to prepare for it. The most recent assurance of this kind was given on June 18, 1929, following the Experts' Report of June 7, 1929, when the Finance Minister of the Reich stated to the Reichstag that a definitive settlement of the financial relations of the Reich with the States and communes "is now to be taken in hand". Up to the present, however, nothing has been accomplished in this direction, and the financial year 1930-31 has begun under new provisional arrangements which still further increase the payments to the States and communes. Moreover, the apparent intention is to put the bulk of the transfers to the States and communes outside the general budget of the Reich, and the budget for 1930-31 as passed by the Reichsrat has actually been drawn on this basis, with the result that the situation is now more confused than ever before.

These recent developments illustrate what is indeed the underlying fault in the whole system of transfers to the States and communes, namely, the division of responsibility as between the authority which collects the taxes and the authority which spends the money. The Government of the Reich collects the taxes, but does not feel the full responsibility for them since it must pass on a large share of the proceeds to the States and communes, and it now proposes, for the most part, to exclude the transfers to the States and communes from its budget—as if to emphasize its own lack of responsibility for them. The States and communes, on their side, spend the money without having had any of the responsibility or odium of collecting it, and they have fallen into the habit of expecting the Reich to provide more and more money for them to meet their recurring budgetary deficits. One of the States, in fact, has recently entered "additional transfers from the Reich" as the balancing item in its draft budget, and with each new provisional settlement the States and communes generally unite to exert all possible pressure to get larger payments from the Reich as if the Government of the Reich were an external authority depending on some other body of taxpayers. The financial relations between the Reich and the States and communes will not be on a sound basis until the responsibility for raising the money by taxation has been reunited with the responsibility for spending it, and until it is recognized on all sides, as stated by the Finance Ministry of the Reich in the survey accompanying the draft budget of 1929-30, that "the financial settlement between the Reich and the States and communes is the keystone of public finance. It cannot and must not be allowed to become a question of who is to secure the largest share in the booty; it is a question of organizing and rationalizing the total public expenditure in such a manner that the available revenue will suffice and the requirements be adjusted to Germany's situation." To solve this problem what is needed most is an awakening sense of responsibility on the part of the public authorities, and this can best be secured, without regard to questions of constitu-

tional reform, by clearly defining the responsibilities involved and putting them where they belong as between the Reich and the States and communes.

For the most part the payments from the Reich to the States and communes consist of transfers out of the proceeds of various taxes collected by the Reich. These tax transfers are summarized in the following table, which shows their development during the six-year period:

Tax transfers from the Reich to the States and communes (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 estimates ³
PROPORTIONAL TRANSFERS FROM						
Income tax	1,992	1,868	1,690	2,088	2,332	2,190
Corporation income tax	283	154	286	358	456	420
Turnover tax	384	413	450	263	300	309
Tax on real estate transactions	28	29	27	36	35	34
Automobile tax	50	56	101	150	174	200
Race-betting tax	29	30	29	32	31	35
Bourse tax	3	—	—	—	—	—
Wine tax	—	13	5	4	1	1
Totals ¹	2,767	2,563	2,589	2,933	3,330	3,188
OTHER TRANSFERS FROM						
Income tax, supple- mentary transfer	— ²	— ²	14	16	18	41
Company tax	—	—	—	3	6	10
Beer tax	3	32	23	64	59	59
Totals ¹	3	32	37	83	84	111
Grand totals ¹	2,770	2,596	2,626	3,016	3,413	3,299
¹ Differences due to rounding off.						
² Not indicated in budget accounts.						
³ Including the estimates of the supplementary budget, together with 12 millions of authorizations brought forward from 1928-29.						

The final 1929-30 estimates, it will be observed, called for total tax transfers of 3,299 millions, a decrease of about 114 millions as compared with the previous year. This decrease, however, is 15 millions less than was originally estimated, and it is due entirely to the lower yields of the taxes which the Reich shares proportionally with the States and communes. Under the terms of the financial settlement for 1929-30, as explained in the last Report, the Reich was empowered, before calculating the transfers to the States and communes, to retain for itself up to 120 millions of the total yield of the income tax, the corporation income tax and the turnover tax over and above 4,530 millions. The actual yield of these taxes available for distribution, however, fell short of the

prescribed minimum, and this modification in the method of calculating the transfers never became effective.

In addition to the tax transfers, the budget of the Reich each year provides for further payments to the States for police and various other purposes, arising out of legislation or special agreements. These payments include many expenditures made through the States and communes in respect of objects in which the Reich is interested or for which it has assumed responsibility in whole or in part. The financial survey attached to the draft budget for 1929-30 contained a list of these items for the years 1928-29 and 1929-30, and they are summarized in the following table, which is expressed in millions of reichsmarks and which also includes two other payments of a similar nature not listed in the survey:

	1928-29 actual	1929-30 estimates
ITEMS LISTED IN THE SURVEY		
Safety police	190	195
Relief to persons with small unearned incomes	50	35
Relief to State officials from ceded or occupied territories	22	22
Miscellaneous	32	32
OTHER ITEMS		
Administration of canals and waterways..	13	13
Productive unemployment relief	124	77
Total	431	374

At the present time still another series of payments by the Reich to the States appears to be under consideration. The financial proposals announced by the Government in December, 1929, called for the settlement of the current claims for compensation and revalorization pending between the Reich and the States in respect of the railways, waterways, etc., taken over by the Reich, and the draft budget for 1930-31, as passed by the Reichsrat, contains an appropriation of 13 millions as a first instalment towards the settlement of certain of these claims.

The terms of the financial settlements which have been in force between February 1, 1924, and March 31, 1930, are summarized in the statement on page 117.

The financial settlement to be applied during the year 1930-31, beginning April 1, 1930, has not yet been adopted, but the Reichsrat now has before it a bill authorizing a further provisional arrangement under which the States and communes will receive the same fixed percentages in Reich taxes as in 1929-30, without any limitation in favor of the Reich such as was contained in the 1929-30 settlement, and in addition will obtain almost the entire yield of the new tax on mineral waters and a large share in the returns from the increased rates of the beer tax and the turnover tax. The new law on the beer tax itself provides that the States will receive as from April 1, 1930, transfers calculated on one-sixth of the yield of the beer tax, distributed in proportion to the returns, in addition to

Summary of provisional financial settlements in force since Feb. 1, 1924	Feb. 1, 1924, to Sept. 30, 1925 (20 months)	Oct. 1, 1925, to March 31, 1927 (18 months)	April 1, 1927, to March 31, 1929 (24 months)	April 1, 1929, to March 31, 1930 (12 months)
PROPORTIONAL TRANSFERS				
Income tax	90 per cent	75 per cent	75 per cent	75 ¹
Corporation income tax	90 " "	75 " "	75 " "	75 ¹
Turnover tax	20 " "	35 " " for first 6 months, then 30 per cent	30 " "	30 ¹
Tax on real estate transactions.....	96 " "	96 per cent	96 " "	96
Automobile tax.....	96 " "	96 " "	96 " "	96
Race-betting tax	96 " "	96 " "	96 " "	96
Bourse tax (abolished Dec. 31, 1924).....	100 " "	—	—	—
Wine tax (abolished March 31, 1926)....	33.3 per cent for period July 1, 1925, to March 31, 1926.		—	—
GUARANTIES BY-THE REICH	No guaranty	Minimum guar- anty of 2,100 millions in re- spect of income, corporation in- come and turn- over taxes; plus a special mini- mum guaranty of 450 millions for the turnover tax alone.	Minimum guar- anty raised to 2,600 millions but special turn- over tax guar- anty abandoned.	No guaranty
OTHER TRANSFERS				
Income tax, supple- mentary transfer....	The share of any State in the income tax calculated on a per capita basis, if more than 20 per cent below the average for all the States, is to be brought up to this limit out of the amount remaining to the Reich.			
Company tax	If the amalgamation of companies produces a fiscal disadvantage to one or more communes, 50 per cent of the tax collected in respect of such amalgamation is to be transferred for the benefit of the communes so affected.			
Beer tax	Bavaria, Wurtemberg and Baden are to receive up to 13.55 per cent, 2.50 per cent and 1.60 per cent, respectively, of the yield of the tax, subject in the case of each State to a maximum which for the three States together aggregated 23 millions per annum in the period October 1, 1924, to March 31, 1927, and 59 millions per annum in subsequent years. The excess transfer in 1927-28 was the result of a special transitional provision in the law.			
¹ Before calculating the transfers from these three taxes, the Reich was authorized for this one year to retain up to 120 millions out of the amount by which their aggregate yield available for distribution should exceed 4,530 millions. This provision, however, had no practical effect during 1929-30, since the total yield of the three taxes available for distribution fell short of 4,530 millions.				

the lump-sum payments of 59 millions made in previous years to Bavaria, Wurtemberg and Baden. In other words, while the estimated return of the beer tax is increased by 150 millions, additional transfers of 90 millions calculated on the yield of the beer tax will go to the States. Altogether, it is estimated that under the new financial settlement now in process of adoption the States and communes will obtain from the Reich during 1930-31 about 170 millions of additional tax transfers out of the yield of new or increased taxes. On this basis the net total of their tax transfers for the year will be about 100 millions higher than in 1929-30, since otherwise a reduction of about 70 millions was to have been expected, owing to the reduced yields of various taxes shared proportionally with the Reich.

It is characteristic of the successive financial settlements that the payments to the States and communes are quite frankly regarded each time as a matter for political compromise, without reference to their real needs and without any serious effort to determine them by investigation and analysis. And whatever the basis, the fact remains that in each of the five years beginning with 1924-25 the actual transfers have largely exceeded the amounts which, from the estimates prepared by the Reich or from its draft budgets, the States and communes were justified in expecting when they prepared their own budgets. As stated more fully in the last Report, the successive transfers in excess of the estimates of the draft budgets during these five years amounted to 970 millions, 397 millions, 241 millions, 171 millions, and 194 millions, respectively, and by the fifth year, 1928-29, the estimates themselves had reached a total of about 3,220 millions, or 450 millions higher than the actual transfers in 1924-25. Even in the sixth year, 1929-30, when tax revenues generally fell about 300 millions below the original budget estimates, the tax transfers to the States and communes proved to be about 15 millions in excess of the amount originally estimated in the Reich budget. There is no question but that this series of excess transfers, particularly in the initial years, encouraged the States and communes to increase their activities and their expenditures, and led many of them into the practice of budgeting for deficits in the hope that these would be covered sooner or later by further transfers of revenue from the Reich.

While the States and communes have been enjoying these excess transfers of revenue, the Reich has assumed the former liabilities of the States and communes in respect of ordinary unemployment relief, the extent of which has been impressively illustrated during the past two winters. At the same time the Government of the Reich has undertaken the burden of many national adjustments arising out of the war, including, in addition to the payments in execution of the Dawes and Young Plans, the revalorization of its paper mark debt, the liquidation of damages for property lost abroad as a result of the war, and the payment of increased subsidies to the social insurance funds to compensate for the shrinkage caused by the inflation. In spite of the large annual expenditures involved in these adjustments, which have fallen solely on the budget of the Reich, there has been no increase in the proportion of the total tax revenues of Germany remaining available to the Reich. Indeed,

according to the official statistics, summarized later in this chapter, the percentage of the total revenues left for the Reich stood at only 42.8 per cent in 1928-29, as compared with 43.3 per cent in 1926-27 and 43.2 per cent in 1927-28.

The Experts of the Dawes Committee, in their Report of April 9, 1924, devoted special attention to the financial relations between the Reich and the States and communes, and emphasized the importance of a provident settlement as an essential measure of protection to the budget of the Reich. "So long as Germany has any external obligations", the Experts said, "they must be paramount, and the resources normally to be assigned to the States and Communes must be clearly defined, and care must be taken to secure that these resources are not more than adequate to legitimate needs." The Experts, in stating these conclusions, did not fail to recognize the historical difficulties inherent in the problem, but they pointed out that "the situation has hitherto been governed by merely political or administrative opportunism rather than by clear financial principle" and they expressed the hope that, with the adoption of their Report, "self-interest alone may almost confidently be relied upon to force the German Government to make provident arrangements with the States". Six years have passed but these expectations have not yet been fulfilled. The need for reform has been freely admitted by successive Finance Ministers of the Reich, and it is generally recognized in all informed circles within Germany. It has been emphasized in every Report of the Agent General for Reparation Payments since the Dawes Plan went into operation, and more particularly in the letter of March 17, 1927, to the Finance Minister of the Reich, a copy of which is annexed to this Report as Annex I, and in the Memorandum of October 20, 1927, addressed to the German Government.

The Memorandum summarized the situation in the following terms:

"In the midst of the budget discussions, on March 14, 1927, the Finance Minister of the Reich appeared before the Taxation Committee of the Reichstag to urge the passage of a draft law postponing for a further two years the definitive settlement of the financial relations between the Reich and the States and communes, and providing in the meantime for increased guaranties by the Reich to the States and communes. On March 17, 1927, I addressed a letter to the Finance Minister of the Reich, pointing out a number of considerations suggested by the Government's proposals and emphasizing their importance in connection with the fulfilment of the international obligations of Germany under the Experts' Plan, not merely as regards the immediate present but more especially as regards the future. On April 9, 1927, the law was passed, substantially in accordance with the Finance Minister's recommendations, with results for the public finances that I have already summarized in my Report of June 10, 1927. The Government of the Reich in the meantime had made another important concession to the States and communes, by agreeing to assume, as from April 1, 1927, practically the entire responsibility for advancing, when necessary, the supplementary funds required for purposes of unemployment relief beyond

those furnished by employers and employees, though up to that time the States and communes had been obliged to furnish five-ninths of these supplements.

"The present financial settlement between the Reich and the States and communes cannot be considered a provident arrangement for the Reich; and it is open, as pointed out in my last Report, to fundamental objections of principle. These criticisms are fully confirmed by recent events. The States and communes are now drawing larger payments from the Reich than ever before, and will get the principal benefits from any increased revenues that the Reich may collect from the income, corporation and turnover taxes in excess of the amount required to fulfil the guaranty already given. At the same time, the responsibility for taxation and public expenditure seems to become more and more confused. Notwithstanding their increased transfers from the Reich, the States and communes are pressing new demands for still larger payments to meet their constantly increasing expenditures, and the Reich itself has added to the confusion by bringing forward new proposals for expenditure which still further burden the budgets of the States and communes."

Since then the situation has grown worse, but throughout the whole period the question has continued to be governed "by merely political or administrative opportunism", and the Reich continues to make automatic surrenders of large percentages of its most important taxes to the States and communes without any "clear financial principle" and without reference to their "legitimate needs". In so doing, as pointed out in the letter of March 17, 1927, the German Government has incurred "the danger, on the one hand, of encouraging the States and communes to new high levels of expenditure, and, on the other, of divesting itself of resources that may be needed for meeting its own obligations and carrying on its own functions". The States and communes are, in fact, still showing deficits notwithstanding the greatly increased transfers which they receive, while the budget of the Reich has been called upon to bear the burden of increasing payments to the States and communes at the very time when it was itself showing large annual deficits. In the year 1928-29, it will be remembered, when the budget of the Reich showed a current deficit of 1,237 millions, tax transfers to the States and communes rose by 194 millions above the draft estimates to the unprecedented figure of 3,413 millions.

During the past few years the German Government has taken a few tentative steps in the direction of reform, but as yet without any positive outcome. Financial statistics of the States and communes are being assembled, and the figures for revenues and indebtedness may now be regarded as substantially up to date. But for expenditures the statistics are not current, and at best, of course, they give no indication as to actual needs or as to the economy with which the funds may have been spent. Six bills for the uniform assessment and collection of the most important of the State taxes were prepared and submitted in 1927, and voted by the Reichsrat, with some modifications, on November 23, 1928; but since then they have remained in the hands of the tax committee of the Reichstag with-

out further progress. On January 16, 1928, at the invitation of the Government of the Reich, a conference of the Prime Ministers of all the States met to consider the possibilities of economy and administrative reform and a more effective division of functions as between the Reich and the States. Several committees were appointed, composed of representatives of the Reich and the States, and some of them have since made reports; but the conference as a whole has not yet been reconvened to consider them. On one other point, specifically undertaken by the Government of the Reich in connection with the financial settlement of April, 1927, no progress whatever can be recorded. The increased transfers then given to the States and communes were, according to the terms of the law of April 9, 1927, conditioned on corresponding reductions in the taxes on real estate and occupations imposed by the States and communes. This condition, however, has not been fulfilled, and, generally speaking, the States and communes are collecting the same, or even higher, property taxes while drawing increased transfers from the Reich.

The problem as a whole, therefore, remains to be solved, and under the influence of the temporizing policy thus far pursued the increasing drain of the transfers to the States and communes has become one of the worst factors in the budgetary difficulties of the Reich.

(b) *General administration.*

The expenditures grouped under the heading of general administration have risen in the six years to about 2,400 millions a year, as compared with 1,521 millions in 1924-25 and 1,884 millions in 1925-26. The following table indicates the principal items of expenditure and their growth during the period:

General administration (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 estimates ¹
Army and Navy						
Materiel and remuneration.....	459	588	647	706	758	706
Pensions ²	165	177	220	254	264	262
Finance Department...	345	395	410	486	510	524
Interior.....	199	206	274	269	232	217
Communications, public works.....	98	109	146	163	161	143
Commerce, industry, agriculture.....	21	40	38	47	116	168
Civil pensions.....	69	99	88	98	108	110
Social welfare.....	50	57	61	69	77	94
Foreign affairs.....	39	47	60	62	61	54
Miscellaneous.....	76	166	212	141	115	122
Totals³....	1,521	1,884	2,156	2,296	2,401	2,399

¹ Including the estimates of the supplementary budget, together with 153 millions of authorizations of expenditure brought forward from 1928-29.

² Not including war pensions, partly estimated.

³ Differences due to rounding off.

Administrative expenditures, of course, reflect the general increase in the salaries and pensions of officials which became effective as of October 1, 1927, and which was estimated at the time to cost about 375 millions a year. In fact, though detailed figures are not available, the cost of the increase appears to have been about 420 millions a year, so far as the general administration of the Reich itself is concerned. Current expenditures for the Army and Navy, it will be observed, have risen to something over 700 millions a year, not including pensions, as compared with 459 millions in 1924-25; and the administration of the Finance Department now costs over 500 millions a year, as compared with 345 millions in 1924-25. The figures given for 1929-30 are not the actual expenditures, but they represent the latest estimates, after taking into account the supplementary budget. The estimate of expenditures under the heading of "commerce, industry and agriculture" shows an increase of 52 millions for 1929-30, resulting mainly from the transfer of authorizations from 1928-29 on account of the emergency programme instituted in that year for the relief of agriculture.

The administrative expenditures of the Reichspost, of the social insurance institutes and of the unemployment insurance system, though all more or less related to the general administration of the Reich, are not included in the budget estimates, or in the foregoing table.

(c) *Service of the public debt.*

The following table shows the development of the expenditures for the service of the public debt during the six-year period, including the latest estimates for 1929-30:

Service of the public debt (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 estimates ¹
Repayment of Treasury bonds . . .	74	162	87	—	—	—
Reduction of sundry gold loans . .	364	90	83	86	74	80
Revalorized debt with interest . . .	—	1	241	409	372	446
Current interest	12	9	10	16	56	147
Totals ²	450	262	421	512	502	673

¹ Including the estimates of the supplementary budget, together with 122 millions of authorizations of expenditure brought forward from 1928-29 and 51 millions of expenditures in excess of the budget estimates for the reasons explained on page 123.
² Difference due to rounding off.

The charge for current interest, it will be noted, has risen largely in recent years, reflecting the increase in the public debt of the Reich which is discussed in further detail in the next chapter. The largest item, however, is for the service of the revalorized debt, which is estimated at 446 millions in 1929-30, as against 372 millions in 1928-29 and nothing at all in 1924-25. The question of the revalorized debt has been fully examined in previous Reports, and the normal annual service, it will be recalled, requires about 240 millions for interest, redemption and sinking fund, and about 83 millions additional for preference annuities to old holders, charitable institutes, etc., or about 323 millions in all. In both

1927-28 and 1928-29, however, the expenditures were increased by special lump-sum payments and payments for drawings in arrear. For 1929-30 the estimates include a balance of 122 millions of unexpended authorizations originally granted in 1925-26, mainly for lump-sum cash payments to small holders and to savings banks. Only 147,000 reichsmarks were expended out of these authorizations in 1928-29, but it appears that in 1929-30 most of the outstanding balance has found its way into actual expenditures. The foregoing table also includes, for 1929-30, the sum of 51 millions of expenditures, in excess of the budget estimates, to cover the sinking fund payment for the year on the revalorized debt. The budget law provided that this payment would be made in the form of bonds of the Reich already acquired through the extraordinary budget in supporting the market quotations of Reich loans. For the sake of completeness, therefore, the 51 millions have been incorporated in the revalorized debt expenditures shown in the table, and also in the administrative revenues in the table on page 112.

The expenditures for the reduction of sundry gold loans in 1929-30 include the usual charges for the redemption of the debts incurred with the Reichsbank and the Rentenbank, and also 6 millions for the retirement of gold bonds which Germany issued in the United States in 1915 and 1916.

The indebtedness of Germany under the Young Plan, as represented by the Debt Certificate deposited with the Bank for International Settlements, forms the principal part of the German public debt, but as pointed out in the next chapter it is not yet included in the published statements of the public debt of the Reich. The annual charge for the service of this indebtedness, corresponding to the Annuities payable under the Plan, is still carried in the budget among the charges arising out of the war, though it classifies also as service of the public debt. Similarly, the annual charge for the service of the German External Loan, 1924, appears in the German budget among the external war charges, instead of as part of the service of the public debt.

(d) Charges arising out of the war.

The second largest group of expenditures of the Reich, next to the tax transfers to the States and communes, consists of the charges arising out of the war. Between 1925-26 and 1928-29 their total volume increased year by year from 1,804 millions to 3,135 millions, and their share in the total expenditures of the Reich rose fairly steadily from 24 per cent to 29 per cent. According to the definitive estimates of 1929-30, however, a decrease of 308 millions is anticipated for that year and their share in the total expenditures is expected to fall to 26 per cent.

The charges arising out of the war may be conveniently classified into (1) the so-called external war charges, consisting primarily of expenditures in execution of the Dawes Plan during the period

September 1, 1925, to August 31, 1929, and in execution of the Young Plan during the period subsequent to September 1, 1929; and (2) the so-called internal war charges, consisting mainly of war pensions, payments in liquidation of war damages sustained by German nationals and a miscellaneous group of payments made up for the most part of commitments arising out of the cession and occupation of German territory as a result of the war and Peace Treaty obligations not covered by the Annuities payable under the Dawes Plan or the Young Plan. Details of the external and internal war charges are summarized in the following table:

Charges arising out of the war (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ¹
EXTERNAL WAR CHARGES						
Execution of Dawes Plan						
Budget contribution.....	—	145	276	530	935	520
Transport tax.....	—	146	261	302	265	145
Reserve fund, Commissioner of Controlled Revenues ...	—	—	13	67	20	1
	—	291	550	899	1,220	665
Execution of Young Plan						
Budget contribution.....	—	—	—	—	—	358
Service of German External Loan, 1924.....	—	—	—	—	—	52
	—	—	—	—	—	410
Total external war charges	—	291	550	899	1,220	1,075
INTERNAL WAR CHARGES						
War pensions ²	833	1,153	1,155	1,300	1,482	1,407
Liquidation of war damages ...	180	184	169	83	231	155
Peace treaty obligations not covered by Experts' Plans						
Occupation costs.....	130	—	—	12	91	72
Deliveries in kind, adjust- ment of coal charges, etc.	573	—	14	—	20	8
Cash payments, Belgian bonds	49	—	—	—	—	—
Costs of commissions.....	—	—	—	—	—	6
Relief, pensions, etc., to former German officials in ceded or occupied territory	37	42	36	37	43	41
Grants for transforming authorized munition factories, costs of destruction of fortresses, etc..	19	24	17	12	11	7
Occupied territories, etc.	138	6	35	62	12	12
Belgian mark claim.....	—	—	—	—	—	16
Miscellaneous	149	104	70	54	24	27
Total internal war charges ¹	2,108	1,513	1,496	1,560	1,915	1,752
Grand totals	2,108	1,804	2,046	2,459	3,135	2,827

¹ Differences due to rounding off.

² Including the estimates of the supplementary budget together with 55 millions of authorizations brought forward from 1928-29.

³ Partly estimated.

(1) *External war charges.* — The payments in execution of the Dawes Plan, which in the years 1925-26 to 1928-29 constituted the whole of the external war charges of the Reich, have been fully explained in previous Reports. In 1929-30 an appreciable change will be effected in the external war charges following the adoption of the Young Plan. In order to understand the nature of these changes it will be necessary to recall the main provisions of the Dawes Plan and of the Young Plan as regards the budgetary contributions towards the Annuities for which they provide.

In the first place, the Annuity years under the Dawes Plan, beginning September 1st in each year, have not coincided with the financial years of the Reich, which begin on April 1st. The Young Plan, as already explained, makes a change in this respect and beginning April 1, 1930, the Annuity years under the Young Plan will be identical with the financial years of the Reich. In order to make the transition to the new system, the Young Plan provides for a first Annuity covering only seven months, extending from September 1, 1929, to March 31, 1930. For purposes of comparison, therefore, the budgetary contributions under the two Plans must be stated in terms of the German financial years and the transition year 1929-30 must be extended back to April 1, 1929, so as to include the last five months of the fifth Annuity year under the Dawes Plan and the seven months constituting the first Annuity year under the Young Plan. Secondly, it will be remembered that the Annuities under the Dawes Plan, the budgetary charges for which consisted of the budgetary contribution proper, the contribution from the yield of the transport tax and the reserve fund of the Commissioner of Controlled Revenues, were all-inclusive, whereas under the Young Plan the annual amounts required for the service of the German External Loan, 1924, as determined by the Trustees for the Loan, must be added when calculating the total Annuities. Thirdly, during the Transition Period, September 1, 1929, to March 31, 1930, account must also be taken of the sums which Germany has agreed to pay under the terms of The Hague Protocol of August 31, 1929, consisting of 30 millions as a contribution to the costs of the armies of occupation and 6 millions as a contribution to the costs of the commissions and organizations under the Dawes Plan, both of which appear in the foregoing table under internal war charges.

The most important change, however, introduced by the Young Plan is the appreciable reduction in the Annuity payable by Germany as compared with what it would have paid under the Dawes Plan. According to The Hague Agreement of January 20, 1930, the Young Plan takes effect retroactively on September 1, 1929, so far as the payments due from Germany are concerned. The first Annuity under the Young Plan, it will be recalled, amounts to 743 million reichsmarks, in round figures, plus the cost of the service of the German External Loan, 1924, which is reported at 55 millions for the seven months' period or 798 millions in all. But of this amount 385 millions constitute the contribution payable by the German Railway Company leaving 413 millions to be paid out of the budget of the Reich to which

must be added the 36 millions already referred to representing the agreed contributions for costs of occupation and of commissions. On this basis the total charge made by the two Plans on the German budget during the financial year 1929-30, in which the transition was made, amounts to 1,091 million reichsmarks made up of 642 millions representing five monthly payments of the budgetary contribution and the transport tax in respect of the period April 1 to August 31, 1929, on the basis of the standard year of the Dawes Plan, and 413 millions for the seven months' period from September 1, 1929, to March 31, 1930, under the Young Plan, together with 36 millions for the costs of occupation and of commissions under The Hague Protocol of August 31, 1929. Thus the net saving to the budget of the Reich resulting from the application of the Young Plan in the financial year 1929-30 amounts to a total of 450 million reichsmarks representing the difference between the sum of 1,091 millions referred to above and the sum of 1,541 millions which would have been payable through the German budget in 1929-30 on the basis of the standard year of the Dawes Plan. For the financial year 1930-31, the first full year under the Young Plan, the figures show that there will be a saving of 404 millions as compared with what would have been payable in the standard year of the Dawes Plan. These comparisons, which are summarized in the table on page 127, make no allowance for the additional contributions that might have become payable under the Dawes Plan from 1929-30 onwards through the operation of the index of prosperity described in the Plan.

The saving to the budget in 1929-30, as calculated in the supplementary budget for that year, amounts to 464 millions owing to the fact that the actual charges under the Experts' Plans are included as 1,075 millions made up as follows, expressed in millions of reichsmarks:

UNDER DAWES PLAN

Budget contribution (5 monthly instalments)	520
Transport tax (5 monthly instalments plus 1 monthly instalment remaining unpaid in 1928-29)	145
Reserve fund, Commissioner of Controlled Revenues	1

UNDER YOUNG PLAN

Budget contribution	358
Service of German External Loan, 1924	52

Total.... 1,075

It will be observed that this calculation differs in three important points from that shown in the table on page 127:

- (1) It includes 24 millions more for the transport tax payment under the Dawes Plan, the excess representing the unpaid instalment in 1928-29 which, of course, should not be taken into account in calculating the savings consequent upon the modification of the Dawes Plan.
- (2) It includes only 52 millions for the service of the German External Loan, 1924. The Trustees for the Loan report that 55 millions were actually expended in the period September 1, 1929, to March 31, 1930.

Savings in budgetary expenditures on adoption of Young Plan (In millions of reichsmarks)	1929-30	1930-31
Payments due from Reich if Dawes Plan had been applied throughout year		
Budget contribution.....	1,250	1,250
Transport tax	290	290
Reserve fund, Commissioner of Controlled Revenues	1	—
Total....	1,541	1,540
Payments due from Reich budget on adoption of Young Plan, with effect as from September 1, 1929		
Under Dawes Plan — applicable for only 5 months in 1929-30, from April 1 to August 31, 1929		
Budget contribution (5 monthly instalments)...	520	—
Transport tax (5 monthly instalments).....	121 ²	—
Reserve fund, Commissioner of Controlled Revenues	1	—
Under Young Plan — applicable as from September 1, 1929		
Budget contribution (less amounts payable by German Railway Company).....	358	1,048
Service of German External Loan, 1924 (as determined by Trustees for the Loan)	55 ³	88
Under The Hague Protocol of August 31, 1929		
Contribution to costs of armies of occupation..	30	—
Contribution to costs of commissions and organizations under Dawes Plan	6	—
Total ¹	1,091	1,136
Reduction in budgetary payments	450 ⁴	404
¹ Difference due to rounding off. ² The German budget shows transport tax payments as 145 millions for this period, but it includes one monthly instalment of about 24 millions remaining unpaid at the end of 1928-29 and properly attributable to that year. ³ The German budget shows expenditure for the service of the Loan as 52 millions but the Trustees reported the actual expenditure incurred as 55 millions. ⁴ This figure is calculated in the German budget as 464 millions; the net difference of about 15 millions is explained on pages 126 and 127.		

- (3) It does not take into account the agreed payment of 36 millions for costs of occupation and commissions under The Hague Protocol of August 31, 1929.

The net result of these differences in the calculation is an increase of 15 millions in the saving of 450 millions shown in the foregoing table.

The foregoing figures do not, of course, reflect the full relief resulting from the application of the Young Plan but solely the reduction in budgetary contributions. In addition to these reductions the Young Plan provides also for the abolition of the industrial charge as a source of reparation payments. The German

Government, however, is at liberty to maintain the industrial charge as a form of internal taxation, and the Young Plan, by releasing the industrial charge from being earmarked as a source of reparation payments, has thus made it available as an important source of revenue to the budget of the Reich. The supplementary budget of 1929-30, as already stated, has incorporated in the revenue of the Reich the semi-annual instalment of the industrial charge, amounting to 150 million gold marks, which would have become payable under the Dawes Plan on April 1, 1930. Including this amount, therefore, the estimated saving under the Young Plan for the financial year 1929-30 may be stated to amount to 614 millions on the basis of the calculation made in the supplementary budget of that year. The financial proposals announced by the Chancellor of the Reich on December 12, 1929, contemplated that the industrial charge would be maintained for the benefit of the budget for a further period of five years, diminishing by 50 million reichsmarks a year until it is finally abolished, and according to the Finance Minister's speech of May 2, 1930, this proposal, subject to possible modification in connection with the eastern programme, still stands. The draft budget for 1930-31 includes in the revenues a total amount of 350 millions from the industrial charge, of which 280 millions are to be paid by the concerns liable to the charge and 70 millions are to be derived from the "sinking fund and guarantee fund" of the Bank for German Industrial Debentures. The payment to be made by the concerns liable for the charge in 1930-31, amounting to 280 millions, is 50 millions less than the amount paid by them in 1929-30 since, in addition to the 300 millions due for transfer to the Agent General, these concerns were liable for further 10 per cent as a contribution to the "sinking fund and guarantee fund". On the basis of these estimates the total relief available to the budget of the Reich during 1930-31, the first full year of the application of the Young Plan, amounts to 754 millions, made up of 404 millions of savings in expenditure and 350 millions of increased revenues from the industrial charge. With the adoption of the Young Plan, moreover, various funds became available to the Reich, details of which are given on page 167.

(2) *Internal war charges.*—Despite the large growth of the external war charges, the internal war charges still constitute the major part of the charges arising out of the war. This group of expenditures consists of a large variety of items the most important of which are the war pensions, which constituted about three-quarters of the total in 1929-30, the liquidation of war damages, and Peace Treaty obligations not covered by the Experts' Plans. The expenditures in 1924-25 are not comparable with those of the following years owing to the inclusion under internal war charges in this year of a large volume of these obligations which in subsequent years were almost entirely covered by the Annuities under the Experts' Plans and which were accordingly classified under external war charges.

In 1925-26 the internal war charges aggregated 1,513 millions, and after remaining fairly steady at or about this level in 1926-27 and

1927-28 they showed a large increase of 355 millions in 1928-29, due largely to the higher rates of war pensions following the laws of December, 1927, which operated retroactively from October 1, 1927, and partly to the cash payments to smaller claimants under the war damages liquidation law of March 30, 1928. For 1929-30 the estimated expenditures, though increased about 146 millions by the supplementary budget, are expected to be about 160 millions less than the actual expenditures in 1928-29. A decrease of about 75 millions is anticipated in war pensions, which if realized will be the first decrease since 1924-25, and a decrease of 76 millions is anticipated in the liquidation of war damages, as a result of the settlement in 1928-29 of the major part of the cash payments due to the smaller claimants.

The liquidation of war damages in 1929-30 calls for a total of 155 millions, of which 85 millions represent interest and amortization of the debt certificates, 15 millions represent the second annual payment due to Rumania under the treaty ratified February 8, 1929, and the balance of 55 millions consists largely of authorizations in respect of cash payments for liquidation damages transferred from 1928-29. With the settlement of these transferred authorizations in 1929-30 the expenditures under this head in subsequent years should materially decrease. The issue of debt certificates to the larger claimants under the law of March 30, 1928, in the estimated amount of 1,100 millions, can now be considered as almost concluded, since on March 31, 1930, a total of 1,001 millions of these certificates had already been included in the public debt statement of the Reich.

The remaining internal war charges comprise miscellaneous groups of expenditure, aggregating 190 million reichsmarks in 1929-30, most of which should prove to be non-recurrent. About 86 millions represent payments in execution of the Peace Treaty not covered by the Annuities payable under the Experts' Plans, of which 36 millions are payments under The Hague Protocol of August 31, 1929, for costs of occupation and of commissions during the Transition Period. Other items of note are 41 millions for relief, etc., to former officials from ceded or occupied territory and 16 millions for the first Annuity payable to Belgium under the agreement of July 13, 1929, concerning the Belgian mark claim.

(e) Social expenditures.

Payments under the general heading of social expenditures now constitute one of the principal charges on the budget of the Reich. Their growth, from 259 million reichsmarks in 1924-25 to 1,345 millions in 1929-30, reflects the development of the German social insurance system, and still more, the extent to which the Reich has become involved in subsidizing and contributing to the social insurance organizations and in making good the shrinkage of their assets caused by the inflation. Undoubtedly, the widespread unemployment of the past few years has had its share of the responsibility for the great increase in social expenditures. But from the budgetary standpoint the greatest difficulties have arisen, first, from the failure to maintain the unemployment insurance system on anything like a self-supporting basis, and, second, from the constant adoption of new measures of relief, whether by legis-

lation or by regulation, without adequate consideration of the financial consequences.

The social expenditures of the Reich for the six-year period are summarized in the following table:

Social expenditures of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ²
SOCIAL INSURANCE CHARGES						
Health insurance subsidies	9	21	24	27	28	34
Old age and disablement and miners' pension insurance subsidies	106	221	243	301	393	559
Expenses of sale of insurance stamps and payment of pen- sions	13	16	17	17	18	18
Totals ¹	129	259	284	345	439	612
UNEMPLOYMENT CHARGES						
Unemployment relief, etc. . . .	36	163	426	324 ³	301	228
Advances to unemployment in- surance institute	—	—	—	—	260	413
Totals ¹	36	163	426	324	561	640
OTHER SOCIAL EXPENDITURES						
94	85	101	97	101	93	
Grand totals	259	507	811	766	1,101	1,345
¹ Differences due to rounding off.						
² Including the estimates of the supplementary budget, together with 51 millions of authorizations brought forward from 1928-29.						
³ Including a contribution of 50 millions granted by the Reich towards the creation of a special reserve fund of the unemployment insurance institute.						

The social expenditures in the budget of the Reich fall into the three main divisions shown by the table, (1) social insurance charges, (2) unemployment charges, and (3) other social expenditures. The third division includes a great variety of small items, which in total have remained practically constant during the six-year period, at somewhere around 100 millions a year. Social insurance charges and unemployment charges, however, have both increased tremendously since 1924-25, and in the past two years alone, from 1927-28 to 1929-30, social insurance charges have risen from 345 millions to 612 millions and unemployment charges from 324 millions to 640 millions, a combined growth of 583 million reichsmarks. Out of total social expenditures of 1,345 millions for 1929-30, subsidies to the various social insurance institutes accounted for about 593 millions, and advances to the unemployment insurance institute for about 413 millions, apart from 228 millions expended in other forms of unemployment relief. These large subsidies and advances have made the finances of the various insurance institutes a matter of direct concern to the finances of the Reich, and it is necessary, therefore, to consider their position in some detail, not-

withstanding the fact that the institutes themselves are operated outside the general administration of the Reich.

The German social insurance system was inaugurated in 1883 with the establishment of insurance in respect of health, and this was followed in the next year by the establishment of insurance against occupational accidents. In 1889 old age and disablement insurance for wage-earners was undertaken, and in 1913 similar insurance was organized for salary-earners. Since the war the system has been further expanded. In 1923 the miners' pension insurance system, which had differed in the various mining districts, was reorganized on a uniform basis. Finally, under the law of July 16, 1927, ordinary unemployment relief, for which the Reich and the States had formerly assumed joint responsibility, was placed on an insurance basis, and the relief organization which had functioned up to that time was supplanted by the unemployment insurance institute. The institute was to be supported by contributions from employers and employees, but the Reich undertook sole responsibility for advancing the funds required in case of deficit. By these various systems German wage-earners and lower paid salary-earners are compulsorily insured against the principal risks tending to affect their earning capacity. According to the latest available figures, for the year 1928, about 22 million persons are insured against sickness, about 23 millions against occupational accidents and disease, about 22 millions against old age and disablement, and about 17 millions against unemployment.

Of the six social insurance undertakings, those relating to (1) health, (2) accident, and (3) wage-earners' old age and disablement are administered through autonomous local offices under the supervision of the Insurance Office of the Reich, while those relating to (4) old age and disablement insurance for salary-earners, (5) miners' pensions, and (6) unemployment are administered in each case by a central Reich institute with district offices. Both the members and their employers participate in the management of the various organizations, except in the case of the accident insurance, which is managed solely by the employers. The administration is supervised in some cases by the Reich Minister of Labor and in others by the Reich Insurance Office, and the latter acts as umpire in cases of dispute between the organizations and their members. The receipts of the insurance organizations are mainly derived from the contributions of the members and their employers. In 1928, for example, about 4,700 millions, or 88 per cent of their total receipts, came from this source; the balance was derived from the income of their reserve funds, from fines, etc., and from subsidies or advances out of the budget of the Reich. The total costs of administration, etc., in 1928 were about 400 millions, or, on the average, about 8 per cent of the total expenditures, while altogether about 4,300 millions were expended in payments of pensions and of health, accident and unemployment benefits. The following table shows the growth of the receipts and payments of the various organizations from 1924 to 1929, including

among the receipts the subsidies and advances received from the budget of the Reich:

Receipts and payments of the social insurance institutes by calendar years (In millions of reichsmarks)	1924	1925	1926	1927	1928	1929 ⁵
HEALTH INSURANCE¹						
Receipts ²	1,057	1,378	1,473	1,708	1,982	2,130
Payments ²	944	1,291	1,349	1,607	1,895	2,080
ACCIDENT INSURANCE						
Receipts	216	250	335	373	396	415
Payments	147	226	322	337	377	401
OLD AGE AND DISABLEMENT INSURANCE						
Wage-earners						
Receipts	450 ²	715 ²	961	1,212	1,522	1,598
Payments ³	374 ²	614 ²	803	918	1,126	1,308
Salary-earners						
Receipts	142	211	287	341	389	471
Payments	29	65	80	141	121	161
Miners' pensions						
Receipts	147	155	173	222	230	257
Payments	94	138	180	216	227	230
UNEMPLOYMENT INSURANCE⁴						
Receipts	—	—	—	196	852	1,314 ⁶
Payments	—	—	—	146	942	1,372
TOTALS²						
Receipts	2,012	2,709	3,229	4,052	5,371	6,185
Payments	1,588	2,334	2,734	3,365	4,688	5,552

¹ Excluding subsidiary offices.

² Partly estimated.

³ Not including the cost of sale of insurance stamps and the expenses of the payment of pensions, now aggregating 18 millions per annum and borne by the Reich.

⁴ Founded October 1, 1927. In addition to the receipts shown for 1927 the insurance institute received 50 millions from the Reich and 144 millions from the organization previously administering unemployment relief, for the purpose of creating a reserve fund.

⁵ Provisional results.

⁶ Including reimbursable advances from the Reich amounting to 396 millions, according to the monthly returns of the Finance Ministry.

The receipts shown in this table, it should be observed, include the advances to the unemployment insurance institute, which, in view of the doubt attaching to their reimbursement, may be considered to be more in the nature of subsidies.

The 1929-30 figures in the table on page 130 illustrate the extent of the subsidies which the Reich grants to the social insurance organizations, and the way in which they have grown during recent years. The annual subsidy to health insurance, in the amount of 32 millions, represents a contribution by the Reich of 50 reichsmarks to each case of maternity cash benefit. The miners' pension insurance, beginning in 1929-30, receives a contribution of 75 millions out of the yield of the tax on salaries and wages above 1,300 millions, the object of which is to reduce the cost of insurance to both members and employers. In respect of the old age and disablement insurance, the Reich not only grants supplements to each pension paid, amounting in 1929-30 to a total of 207 millions, but since 1925 it has been making large annual contributions to the funds of the insurance organizations, partly on

the theory of compensating for the shrinkage of their funds through the inflation. In 1929-30, these contributions consisted of (a) the 40 millions which the Reich in 1925 agreed to pay for ten years out of increased import duties on cereals, (b) the regular annual contribution, which in 1929-30 amounted to 187 millions, and (c) beginning in 1929-30 a further sum, estimated in the budget at 50 millions, but which will actually be about 20 millions, from the yield of the tax on salaries and wages above 1,375 millions.

The insurance organizations other than the unemployment insurance institute have large capital assets, to which the Reich has made substantial contributions during the past few years. The net capital assets of the wage-earners' old age and disablement insurance at the end of 1913, for example, aggregated 2,106 million marks, or more than six times their value at the end of 1924; but by the end of 1929 the funds of this organization had risen again to a total of 1,568 million reichsmarks. The following table shows the progressive increase in the capital assets of the five organizations from the end of 1924 to the end of 1929, when they aggregated 4,064 millions:

Net capital assets of the social insurance organizations (In millions of reichsmarks)	Dec. 31, 1924	Dec. 31, 1925	Dec. 31, 1926	Dec. 31, 1927	Dec. 31, 1928	Dec. 31, 1929 ³
Health insurance ¹	273	373	500	606	701	751
Accident insurance	133	184	247	278	297	311
Old age and disablement insurance						
Wage-earners	330	431	589	882	1,278	1,568
Salary-earners	178	329	533	733	1,001	1,311
Miners' pensions	66	84	76	92	96	123
Totals ²	980	1,400	1,945	2,591	3,372	4,064

¹ Excluding subsidiary offices.

² Differences due to rounding off.

³ Provisional results.

Taken together, the assets of these social insurance organizations constitute a capital fund of growing importance to German economic life, and their investment is governed by regulations formulated under the fundamental insurance legislation of the Reich. Under these regulations the Minister of Labor issued a decree on July 14, 1923, requiring the various organizations to invest 25 per cent of their funds in securities of the Reich or the States or their credit institutions, and providing that until this proportion is reached at least 10 per cent of the annual capital increment must be so invested. The balance sheets of the five insurance organizations on December 31, 1928, indicated that their assets were invested predominantly in mortgages and communal bonds, and even in real estate, with only a relatively small amount in bonds of the Reich or the States. In 1928-29, however, the organizations took up a total of 101 millions of Reich Treasury certificates, and in 1929-30 the old age and disablement insurance institute was required to accept bonds of the Reich, in lieu of cash, up to a total of 187 millions, on account of the annual subsidy from the

Reich. According to the returns of the Finance Ministry for the period April 1, 1929, to March 31, 1930, the amount of bonds which this institute had already taken up in 1929-30 aggregated about 164 millions.

The unemployment insurance institute, on the other hand, is largely in debt to the Reich, and the large advances which the Reich has been obliged to make to it during the past two years have been one of the principal factors in the budgetary difficulties of the Reich. In 1928-29 these advances amounted to 260 million reichsmarks, and in 1929-30 they have risen to 440 millions, or about 290 millions in excess of the provisions made in the budget as originally voted. The unemployment insurance system, in other words, is not being maintained on a self-supporting basis, and at the opening of the financial year 1930-31 it finds itself involved in a total indebtedness of about 700 millions to the Reich. The heavy demands on the system have arisen, of course, from the unexpectedly high level of unemployment which has persisted during the past two years, but a large share of the difficulties which have resulted for the budget of the Reich may be traced to the repeated failures to act in good season to put the unemployment insurance institute on a self-supporting basis. Most of the year 1929-30, for example, was allowed to pass without any effective action, and it was not until January 1, 1930, that the contributions from employers and employees were increased to 3½ per cent in an effort to meet some of the deficit. The other great source of difficulty is the constant tendency to over-burden the system by extending it to cases not properly susceptible of insurance relief. The general theory of the unemployment insurance law, as distinguished from the earlier provisions for unemployment relief, is to provide insurance relief for regular wage-earners without requiring evidence of necessitous circumstances, but the system has gradually been extended to wider circles, so as to apply even to seasonal unemployment. The demands on the system have thus been greatly increased, but without adequate provisions at the same time for meeting the increased requirements through increased contributions.

The unemployment insurance institute, it will be recalled, came into existence on October 1, 1927, under the law of July 16, 1927. Prior to that time the Reich shared equally with the States the amounts required (a) to make good the deficit in the ordinary relief funds administered by the relief organization then functioning, and (b) for the cost of the so-called productive relief. In addition, it shared with the communes, in the proportion of three to one, the cost of emergency relief granted to those who were not entitled to ordinary relief. From October 1, 1927, the Reich has continued to share with the States and communes the cost of productive and emergency relief, but the theory of the law was that the cost of ordinary relief would be borne entirely by the insurance institute. Only if the funds of the institute were insufficient to meet the demands was the Reich required to intervene with advances, which, however, were to be reimbursed when the funds of the institute permitted. The operations of the institute during the first eighteen months of its existence, from October 1, 1927, to March 31, 1929, were the subject of

comment in the last Report. The results for the two full business years ended September 30, 1929, have now become available, and are summarized in the following table, together with the figures for the first five months of the business year 1929-30.

Receipts and payments of the unemployment insurance institute (In millions of reichsmarks)	Receipts			Payments				Surplus (+) or Deficit ² (-)
	Contributions from employers and employed	Miscellaneous	Totals ³	Ordinary relief	Seasonal relief	Administration, etc.	Totals ²	
1927-28 Year ended September 30, 1928	798	31	829	726	—	117	843	— 14
1928-29 October ...	77	1	78	45	—	10	55	+ 23
November	74	1	75	67	—	10	77	— 2
December	66	1	67	104	—	10	114	— 47
January	76	1	77	162	1	11	174	— 97
February	61	1	61	122	10	11	142	— 81
March ¹	76	2	78	143	14	20	177	— 99
April	54	—	54	94	—	8	102	— 48
May	68	—	68	79	—	10	89	— 21
June	71	—	71	59	—	11	70	+ 1
July	78	—	79	58	—	14	72	+ 7
August ...	78	1	79	60	—	12	72	+ 7
September	75	—	75	57	—	13	70	+ 6
Total 1928-29 ¹	853	9	862	1,049	26	139	1,214	—352
1929-30 October ...	82	—	82	67	—	13	80	+ 2
November	77	—	77	82	—	12	95	— 17
December	72	—	73	110 ¹	—	14	124	— 51
January	78 ²	—	78	163 ¹	—	13	176	— 98
February	71	1	72	164 ¹	—	13	177	—105
Total Oct. 1 to Feb. 28 ²	381	1	382	586	—	65	651	—269
Cumulative deficit February 28, 1930								—635

¹ Revised figures.

² Differences due to rounding off.

³ The rate of contributions was increased from 3 per cent to 3½ per cent on January 1, 1930.

⁴ Including seasonal relief.

The business year of the institute which ended September 30, 1929, resulted in a deficit of 352 millions as compared with the deficit of 14 millions incurred in the preceding year, and against this aggregate deficit of 366 millions the advances from the Reich amounted to about 337 millions. During the year ended September 30, 1929, the costs of the institute for "administration, etc.," amounted to 139 millions, or over 16 per cent of the total receipts, of which 38 millions are reported to represent costs incurred for the "preventing and ending of unemployment", while other important sums were apparently expended for the conduct of the local employment exchanges. Although unemployment decreased rapidly in the late spring of 1929, with the ending of the severe winter, it will be observed from the table that even in the seven

months from May through November, 1929, the period of the year in which unemployment is usually lowest and in which the institute is supposed to build up reserves against the heavy calls of the winter months, the payments exceeded the receipts by 15 millions and the institute, accordingly, entered the winter of 1929-30 with no reserves accumulated. As a consequence, the appropriation of 150 millions in the original budget of the Reich for 1929-30, of which only 77 millions remained available on December 1, 1929, proved to be entirely inadequate.

As a result of the heavy advances required from the budget of the Reich during the winter of 1928-29, the Government of the Reich, as will be recalled from the last Report, had announced on May 7, 1929, that it proposed to modify the unemployment insurance law so as to remove abuses in the field of unemployment insurance and give the necessary protection to the finances of the Reich. The Government, accordingly, appointed a committee of experts composed of 28 members representing the groups interested in the unemployment insurance law, which met on July 2, 1929, and concluded its deliberations on July 26, 1929. The report of the committee, published at the end of July, proposed reductions of the insurance payments in certain cases, a reduction of the health insurance contributions payable by the institute in respect of unemployed members, and various measures to remove abuses and effect improvements in administration. The deficit in the funds of the institute on an annual basis was estimated at about 280 millions. The committee estimated that the measures proposed would reduce the annual expenditures by about 160 millions, and proposed that the balance should be provided by increasing from 3 to 3½ per cent, for a limited period, the contributions payable by the insured members and their employers, which the committee estimated would produce about 140 millions annually.

Draft legislation embodying the bulk of these proposals was submitted by the Government to the Reichstag in August, 1929, but it met with such opposition that when the bill was eventually enacted on October 12, 1929, very little had been accomplished toward putting the institute on a self-supporting basis. The increase in contributions was rejected, the proposed reductions in insurance payments were greatly modified and the institute was left with an annual deficit officially estimated at about 180 millions.

Two months later, as part of its emergency programme over the end of December, the Government finally obtained the enactment of a law, dated December 27, 1929, increasing from 3 to 3½ per cent the unemployment insurance contributions payable by members and their employers. This increase, it was estimated, would provide 140 millions of additional funds in a full year, but it was effective, according to its terms, only from January 1 to June 30, 1930. Owing partly to the delay in increasing the contributions proposed by the Government in August, 1929, and partly to a higher level of unemployment than had been anticipated, the

official estimates of the advances which would be required from the Reich again proved to be too low.

Among the various measures enacted in April, 1930, with the purpose of assuring equilibrium in the budget of the Reich in 1930-31, was the law entitled "for the preparation of the financial reform" which includes a provision for the "consolidation of the unemployment insurance". This law provides that the reimbursable advances made by the Reich up to March 31, 1930, "will not be taken into consideration in calculating" the amount necessary to balance the budget of the institute. These advances, as already stated, amount to about 700 millions. For the future, the law contains several provisions intended to bring the affairs of the unemployment insurance institute into better order, but with no immediate prospect of relief for the budget of the Reich. The increase in the contributions from 3 to $3\frac{1}{2}$ per cent is not to cease on June 30, 1930, as heretofore provided, but is to be maintained until further legislative action is taken. Moreover, the funds provided by the Reich hereafter are to consist not only of reimbursable advances, but of subsidies as well. If the current receipts of the institute, together with its reserve funds, are insufficient to meet its requirements, the Reich must grant it subsidies up to the amount fixed in the budget of the Reich for the year. On the other hand, if the institute is obliged to draw upon the subsidies authorized it must take the administrative steps necessary to facilitate equilibrium in its finances, and if necessary submit proposals to the Government for the reform of the law. Should the requirements of the institute exceed both its own resources and the Reich subsidies provided in the budget, the Reich is obligated, as heretofore, to make reimbursable advances to the institute. In case such advances are required, the Reich must inquire into further possible measures of economy to be effected by amendment of the law, and must propose as soon as possible such legislation as will insure the repayment of the advances, either by increasing the contributions, by reforming the law, or by furnishing the necessary funds by other means. The Reichstag has also invited the Government, if by June 1, 1930, there is reason to fear that the number of unemployed during 1930-31 will exceed an average of 1.2 millions, to propose measures promptly which will assure equilibrium in the budget of the institute as from July, 1930.

For the year 1930-31, the draft budget of the Reich fixes 150 millions as the maximum subsidy to the institute and in addition provides that 50 millions are to be transferred from the yield of the industrial charge as a grant to the reserve funds of the institute, plus an amount not exceeding 30 millions from the yield of the tax on salaries and wages in excess of 1,425 millions.

(f) *Investments, loans, etc.*

During the six-year period the budget of the Reich has provided for an important volume of expenditures under the general classification of investments, loans, etc., for a great variety of objects. For the most part, these expenditures have been made out of the extraordinary budget, and there is no doubt that some of them would be better described as subsidies than as investments. The

principal objects of expenditure, with the figures for each year, are indicated in the following table:

Investments, loans, etc. of the Reich (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual	1929-30 esti- mates ²
INVESTMENTS IN						
Canal and automobile transport companies and shipping credit banks.....	19	16	15	11	12	8
Preference shares of German Railway Company	—	220	1	—	—	—
The Cereal Company	—	—	26	1	—	—
Deutsche Bau- und Bodenbank A.-G.	—	—	—	—	10	—
Bonds of Reich loans	—	—	—	—	105	— ³
Schichau A.-G.	—	—	—	—	—	11
Preussenkasse	—	—	—	—	—	50
LOANS FOR						
Housing and settlements	15	17	15	14	15	7
Mortgages on dwellings, advanced to States	—	—	138	49	4	6
Upper Silesian iron industry and other industries	—	35	18	—	—	—
German Railway Company For agreed programme of works.....	—	—	80	—	—	—
For construction of new lines	—	—	11	27	11	5
Promotion of agricultural production	—	—	62	—	—	—
SPECIAL ADVANCES FOR						
Construction of waterways....	35	42	51	63	55	60
Printing Office of the Reich ..	11	—	—	—	—	—
Deutsche Werke, etc.	16	20	2	3	—	6
Aviation and automobile industries	—	38	16	13	22	38
Housing of officials	—	4	7	7	9	18
Agricultural settlement	—	—	27	53	46	79
Vine-growers, emergency relief	—	—	15	—	—	—
Housing and settlements in occupied or frontier areas ..	—	—	—	8	6	16
Schichau A.-G.	—	—	—	—	7	2
Miscellaneous	16	—	1	5	4	2
RESERVE FOR LOSSES UNDER REICH GUARANTIES	—	—	—	14	30	—4
Totals¹....	112	391	483	267	334	305
¹ Differences due to rounding off. ² Including the estimates of the supplementary budget together with 50 millions of authorizations brought forward from 1928-29. ³ The budget law of 1929-30 contains a general authorization for the purchase of bonds of Reich loans, to maintain their rate in the market.						

The actual expenditures of this character during the five years 1924-25 to 1928-29 aggregated 1,587 million reichsmarks, and of these, about 1,251 millions were made through the extraordinary budget. For 1929-30 the authorizations of expenditure, including the estimates

of the supplementary budget and 50 millions of authorizations brought forward from 1928-29, amounted to 305 millions, of which 233 millions were carried in the extraordinary budget.

Aside from the expenditures shown in the foregoing table, the Reich has acquired a substantial total of additional investments and other claims during the period, some of them under other headings of the budget and others entirely outside of the budget. The most important of these additional items are (1) the 500 million gold marks, nominal value, of preference shares of the German Railway Company which were received by the Reich under the provisions of the Dawes Plan as cover for the budgetary contribution of 250 millions and the transport tax contribution of 250 millions in the second Annuity year; and (2) the reserve fund of the Commissioner of Controlled Revenues, to the amount of 100 million gold marks, established under the terms of the Control Protocol and provided out of the extraordinary budget.

Up to the present time the realization on these various investments, loans, etc., has been relatively small, though many of them undoubtedly represent capital assets of substantial value. The preference shares of the German Railway Company owned by the Reich, to the total nominal value of 731 millions, have been producing a regular annual income of 51 millions in dividends, carried among the administrative revenues of the Reich; and it is now provided, in the draft budget of 1930-31, that 150 millions of these shares will be used in 1930-31 to finance the advances of the Reich to the unemployment insurance institute and a further 49 millions to reduce the deficit in the extraordinary budget. By the law of May 17, 1929, the Finance Minister of the Reich had already been empowered generally to realize on the preference shares of the Railway Company owned by the Reich, but no action appears to have been taken up to now in exercise of this authority. According to the budget estimates for 1929-30, reimbursements of advances to the States for mortgages on dwellings were expected to be made during the year to the amount of about 120 millions, following the reimbursement of 8 millions in 1928-29, and during 1929-30 a substantial amount has actually been received on this account. The budget for 1929-30, as explained on page 123, also provided for the utilization of bonds of Reich loans acquired in the course of supporting the market, to make the sinking fund payment of 51 millions falling due during the year in connection with the provisions for the loan liquidation debt, and it since appears that a further 30 millions have been realized from the disposal of such bonds. Apart from these items no returns of any importance appear to have been secured from any of the investments, loans, etc.

4. The Financial Year 1929-30.

The budget of the Reich for 1929-30, when voted, was ostensibly in balance. Yet, according to official statements, the transactions of the ordinary budget will show a deficit of about 360 millions; and in the extraordinary budget the transactions relating to the year itself appear to have resulted in a deficit of about 100 millions.

Alleviations of 614 millions were realized upon the coming into force of the Young Plan, so that, as compared with the original budget estimates, the results of the year appear to show a gross worsening of about 1,075 millions. About 775 millions of this difference were due to new or increased expenditures, and the remainder is to be found on the side of the revenues which, though they were the largest ever received, failed to realize the estimated increase of about 300 millions which the original budget anticipated and which, even at the time, was recognized as fictitiously high. These results are sufficient to characterize the development of the budget in 1929-30 as probably the most unsatisfactory since stabilization. From the standpoint of budgetary administration the developments of the year evidenced an unwillingness on the part of both the Government and Parliament squarely and promptly to face the situation by taking the necessary steps either, on the one hand, to control expenditures, or, on the other, to provide adequate resources to cover them. Moreover, from the standpoint of financial administration, the failure to make adequate provisions in advance for the cash requirements of the Reich resulted twice during the year in acute tension in its cash position. Toward the end of December, 1929, the situation became so critical that, in the absence of any effort to control expenditures, measures of partial relief which had been proposed earlier, but rejected, had finally to be voted. The relief they afforded, however, was only a fraction of what would have been realized had the situation been frankly faced and dealt with before the financial year began.

In considering the evolution of the budget estimates of 1929-30, it should be remembered that the surplus funds which had been available for budgetary purposes in the preceding years had been finally exhausted in 1928-29, that in the closing months of 1928-29 current deficits were accumulating in both the ordinary and the extraordinary budgets, the latter being aggravated by the unexpected advances of 260 millions which had to be made to the unemployment insurance institute, and that to carry the budgetary deficit of 859 millions which was finally incurred, and with which the year 1929-30 was burdened at the outset, the floating debt of the Reich had been forced up to a level which the credit market could support only with extreme difficulty. The warning which this situation gave of the need for a strictly balanced budget in 1929-30 was reinforced during the month of May, while the budget was still under consideration, by the development of acute tension in the cash position of the Reich, to relieve which an internal loan and other measures were authorized. In May, 1929, also, the Government announced the appointment of a committee to recommend changes in the unemployment insurance law with a view to avoiding future advances from the Reich, and the Finance Minister stated to the budget committee of the Reichstag that "after the conclusion of the Paris negotiations the Reich Government will submit a comprehensive and organic programme on financial policy as a whole, which will be necessary in any event without respect to the outcome of these negotiations". In spite of these developments, neither the Government nor Parliament proved to be willing to take the necessary

steps in respect of either the new budget or the affairs of the unemployment insurance institute.

The draft budget for 1929-30, which was summarized in some detail in the preceding Report, contemplated the provision of about 860 millions of additional cover, of which 527 millions represented a net increase in expenditures over the estimates of 1928-29, including an increase of 321 millions for the execution of the Dawes Plan, bringing the appropriation for this purpose, for the first time in any budget year, up to the standard amount of 1,540 millions provided in the Plan. The remainder was required to make good the disappearance of the seigniorage revenues and the surplus of previous years which had been available as cover in 1928-29. The Finance Minister proposed that the additional cover should be provided through raising rates of taxation to produce 379 millions and by increasing estimates of tax revenues to the extent of 261 millions, a total of 640 millions from tax revenues; by increasing estimates of administrative revenues by 86 millions, and by the issue of 164 millions of loans, the placing of which was definitely assured. The proposals for increased rates of taxation met with such opposition in Parliament that agreement upon the means of balancing the budget could not be reached before the financial year began, and during the first three months of 1929-30 the finances of the Reich were carried on under an emergency budget enacted March 26, 1929. The budget as finally enacted on June 29, 1929, was brought into balance by a partial adoption of the Government's proposals for increased rates of taxation, including 70 millions increase from the spirits monopoly and 40 millions increase from the property tax, by raising the estimated yields of other taxes and the administrative revenues and by making cuts in the net amount of 132 millions in expenditure appropriations.

Against this background of the conditions under which the budget of 1929-30 was prepared and subsequently modified and enacted, it will be of interest to trace the development of the revenues and expenditures throughout the year as compared with the budget estimates. It will be recalled that on December 12, 1929, the Chancellor stated to the Reichstag that the revenues had been estimated "too high" and the expenditures "too low" and, as the opening paragraph of this section has already indicated, the results of the year show that, as compared with estimates in apparent equilibrium, there will be a gross deficit of about 1,075 millions, which has been reduced by 614 millions through alleviations realized upon the coming into force of the Young Plan.

On the revenue side, the tax receipts in the first two months showed their usual growth and appeared to justify the estimates, but in spite of moderate increases which had been made in certain tax rates, the receipts in the succeeding months began to run heavily below the estimates, and the official communiqué published with the December returns estimated that the final results for the year would be 230 millions below the estimates. In the remaining months the same tendency continued and the provisional tax receipts for the year as a whole are 9,026 millions, or 299 millions less than the original budget estimates. On the other hand, although the tax yields did not increase in the manner anticipated

in the estimates for the reasons given above, the revenues actually realized were slightly above those of the preceding year, and were the largest ever received. Similarly the administrative revenues, though somewhat above those of 1928-29, will probably be less than the estimates of 1929-30 for the reasons given in a preceding section. In addition, as already explained, the revenues will include 150 millions from the semi-annual instalment of the service of the German industrial debentures payable April 1, 1930.

On the expenditure side, the gross increase of about 775 million reichsmarks, which occurred in the course of the year, resulted partly from expenditures made in excess of the amounts estimated in the budget, and partly from the authorization of a number of important additional expenditures, some of which were in connection with the reparation settlement. These excess expenditures, which were eventually brought into the budget estimates through the supplementary budget, are summarized later in this section, but two of them require special explanation.

The first is the amount paid over to the miners' pension and the old age and disablement insurance funds from the surplus yield of the tax on salaries and wages above 1,300 millions. The so-called Brüning law, originally enacted in 1925, requires this tax to be reduced when its annual yield exceeds 1,300 millions, but in spite of successive reductions effected under this law the tax nevertheless yielded a surplus of 47 millions in 1927-28, and 115 millions in 1928-29. By vote of the Reichstag and by resolution of the Reichsrat, a modification of the Brüning law came into effect on July 4, 1929, under which the entire yield of the tax on salaries and wages in excess of 1,300 millions was to be paid over to the social insurance funds above mentioned. The excess yield of the tax in 1929-30 amounted to 96 millions and the appropriation of this excess reduced the aggregate yield available for distribution of the taxes on income, corporation income and turnover below 4,530 millions, thereby preventing the coming into operation of a provision of the 1929-30 budget law which permitted the Reich, before calculating transfers to the States and communes from the yield of these taxes, to retain for itself up to 120 millions out of the amount by which they exceeded 4,530 millions.

The second cause of the increased expenditures is the additional amount which had to be advanced to the unemployment insurance institute due to the failure of Parliament to amend the unemployment insurance law in such a way as to prevent its execution from being a drain on the budget of the Reich, as already explained in the section on social expenditures. Partly in consequence of the failure to increase the insurance contributions as recommended by the committee appointed to propose amendments to the law, and partly as a result of the unexpectedly heavy and prolonged unemployment of the winter months, the advances which the Reich was obliged to make to the institute in 1929-30 exceeded the original appropriation of 150 millions by about 290 millions, although the contributions were eventually increased from 3 to $3\frac{1}{2}$ per cent on January 1, 1930.

By the end of November the Government's programme of financial reform, of the urgency of which the Finance Minister had

spoken in the Reichstag six months earlier, had not been even submitted and, meanwhile, the tax revenues were continuing to run heavily under the estimates and large additional expenditures had been undertaken or were in prospect. The accumulating deficits arising from this unsatisfactory development of the budget again brought pressure on the cash position of the Reich, and negotiations were inaugurated for a credit to provide the amount of cash, estimated at 330 millions, which the Reich needed for its large requirements at the end of December and for the remainder of the financial year. It soon became evident that such a credit could not be obtained without legislation which would increase and protect the resources of the budget. Accordingly, on December 12, 1929, the Chancellor outlined to the Reichstag the financial programme of the Government, which consisted of two parts; the first for immediate adoption in connection with the credit, and the second for subsequent consideration, in connection with the budget for 1930-31. Referring to the immediate programme, the Chancellor proposed an increase in the tobacco tax, estimated to yield 220 millions a year, and an increase from 3 to 3½ per cent in the unemployment insurance contributions, both effective from January 1, 1930. These two measures were enacted towards the end of December, 1929, and in addition, as a further pre-requisite to the conclusion of the credit of 350 millions, which is described in the section on the cash position, a law was enacted providing that by the end of 1930-31 the floating debt should be reduced by 450 millions out of taxes and savings in expenditure. The second part of the Government's programme is briefly summarized in the section of this chapter relating to the financial year 1930-31.

In January, 1930, a supplementary budget was presented to the Reichsrat and as finally modified and enacted on March 29, 1930, it took account of the estimated decreases in revenues and increases in expenditures during the year, and the savings and alleviations to be realized upon the coming into force of the Young Plan. The provisions of the supplementary budget have already been summarized in the section on comparative budget statements, but the following list, expressed in millions of reichsmarks, shows the numerous additions which the supplementary budget made to the expenditure estimates of the original budget:

Additional advances to the unemployment insurance institute	263
Increase in subsidies to the miners' pension and the old age and disablement insurance funds, net	144
Increased emergency unemployment relief	30
Increased war pensions	53
Increased army remuneration and materiel, net	9
Increased service of the public debt, net	43
Increased transfers to the States and communes, net	15
Increased subsidies to aviation	11
Western relief programme	10
Belgian mark agreement	16
Fund for costs of commissions, under The Hague Protocol	6
Fund for costs of occupation, under The Hague Protocol	30
Other occupation and evacuation costs	27
Participation of the Reich in the Preussenkasse	50
Miscellaneous increases, net	31
Total	738

The results of the year, according to the estimates of the supplementary budget, are a deficit in the ordinary budget of 298 millions after taking account of the saving and alleviations from the Young Plan, and a deficit in the extraordinary budget of 50 millions. A later estimate of the results of the ordinary budget for the year was furnished by the Finance Minister in his budget speech on May 2, 1930, in which he stated that owing to further decreases in tax revenues and increases in advances to the unemployment insurance institute the deficit would be about 360 millions. The growth of the deficit in the ordinary budget may be traced through successive statements of Finance Ministers to the Reichstag, four of which are summarized below, showing the progressive absorption of the Young Plan alleviations during the course of the year for the purpose of covering the deficit.

June 18, 1929. The Finance Minister estimated that the Young Plan savings would cover the deficit of 154 millions in the ordinary budget of 1928-29 and leave a balance for the reconstitution of a working fund in the Treasury.

December 14, 1929. The Finance Minister estimated that all the Young Plan savings, reckoned at 464 millions, as well as 100 millions out of the instalment of the industrial charge due April 1, 1930, would be required to cover the deficits in the ordinary budgets of 1928-29 and 1929-30.

January 27, 1930. The succeeding Finance Minister estimated that not only the Young Plan savings, but the full 150 millions of the instalment of the industrial charge due April 1, 1930, would be required to cover the deficit in the ordinary budget of 1929-30 alone, and that the deficit of 154 millions in the ordinary budget of 1928-29 could not be covered during 1929-30.

May 2, 1930. The Finance Minister estimated that even after applying the Young Plan savings, and 150 millions from the industrial charge, there would be a deficit in the ordinary budget of 1929-30 of about 360 millions. This deficit, it should be observed, includes unemployment advances of 290 millions in excess of the budget appropriation which had meantime been transferred from the extraordinary to the ordinary budget.

In the end, the deficit not only completely swallowed up the Young Plan alleviations, amounting to 614 millions, but an amount of deficit remained which, taken together with the deficit of 154 millions from 1928-29, leaves 515 millions of deficit to be dealt with in 1930-31. The necessity of covering these deficits, which are due to the failure in good season to take the necessary action to bring the budget into order, has resulted in making 1930-31 a year of tax increases instead of a year of tax reductions as was anticipated in both the Young Plan and the financial programme of the Government.

The Finance Minister in his speech of May 2, 1930, gave no indication as to the final results of the extraordinary budget in 1929-30, but in the section on the extraordinary budget the information

published in respect of the period April 1, 1929, to March 31, 1930, has been summarized. At the beginning of the year the cumulative deficit in the extraordinary budget was 905 millions, the unrealized cover for which consisted of authorizations to borrow. Of these authorizations, 179 millions were realized in May and June, 1929, from the proceeds of the Reich internal loan, thereby, in effect, reducing the cumulative deficit to 726 millions. The net result of the other transactions during the period appears to have been an excess of expenditures over revenues amounting to 33 millions, bringing the deficit on March 31, 1929, up to 759 millions. Further transactions and adjustments in prospect between March 31, 1929, and the date of closing the accounts appear likely to bring the deficit in the final accounts for the year up to between 800 and 850 millions, thus indicating that some 100 millions out of the 179 millions realized from the sale of bonds have been absorbed in making expenditures in excess of revenues.

The provisional tax revenues of the year, together with the administrative revenues and the expenditures for the twelve months' period, April 1, 1929, to March 31, 1930, are summarized in the tables accompanying the following sections. As the official communiqué issued with the returns for March points out, however, no conclusions as to the final results of the year can be drawn from the figures of the administrative revenues and the expenditures, which consist merely of the aggregate of the twelve monthly published returns, as they will be subject to appreciable modifications before the accounts for the year are finally closed.

(a) Tax revenues.

The tax revenues for 1929-30, according to the provisional figures, amounted to 9,026 millions and they are summarized in the table on page 146. Compared with the actual revenues of 1928-29 they show an increase of 1 million, but it should be remembered that they have benefited from two increases in rates of taxation: the 20 per cent increase in the alcohol tax, effective June 1, 1929, which was expected to produce 70 millions of additional revenue, and the 8 per cent increase, for one year only, in the property tax, estimated to produce 40 millions additional. Moreover, the effect of the increase in the tobacco tax which came into force on January 1, 1930, was presumably felt in the last month of the financial year. The failure of the tax revenues to maintain the same growth as in previous years was due in part to the falling-off in customs receipts, following the satisfactory harvests of 1928 and 1929, but it reflects to a much larger extent the diminishing returns of the income taxes and the effects of business recession and of falling commodity prices.

Compared with the original budget estimate of 9,325 millions, the actual returns for the year showed a decrease of 299 millions, divided as follows: 56 millions in the taxes shared proportionally with the States and communes, 123 millions in the taxes not shared proportionally, and 118 millions in the assigned revenues. Although the yield of the taxes shared proportionally with the States and communes was 56 millions less than in the original budget estimates, the tax transfers which they receive from the Reich

Development of tax revenues of the Reich in 1929-30 (In millions of reichmarks)	1928-29	1929-30		
	actual revenues	original estimates	definitive estimates	provisional returns
TAXES SHARED PROPORTIONALLY WITH THE STATES AND COMMUNES				
Income tax				
Salaries and wages (amount deducted at source)	1,415	1,300	1,425	1,396
Interest and dividends (amount de- ducted at source)	171	200	190	189
General assessment (after above de- ductions)	1,524	1,430	1,430	1,441
Corporation income tax	608	600	560	559
Turnover tax	1,000	1,120	1,030	1,013
Tax on real estate transactions	36	40	35	35
Automobile tax	181	205	208	209
Race-betting tax	33	36	36	33
Totals	4,968	4,931	4,914	4,875
TAXES NOT SHARED PROPORTIONALLY WITH THE STATES AND COMMUNES				
Property tax	451	560	527	542
Succession duties	74	100	85	82
Taxes on movement of capital				
Company tax ²	69	72	48	45
Tax on securities	14	20	16	15
Tax on Bourse transactions	48	72	32	30
Insurance tax	59	59	62	65
Lottery tax	48	50	50	52
Tax on bills of exchange	53	50	50	48
Transport tax	354	380	377	364
Non-recurrent and miscellaneous	9	11	6	8
Totals ¹	1,178	1,374	1,253	1,251
ASSIGNED REVENUES				
Customs	1,105	1,204	1,111	1,095
Tobacco tax	871	870	915	914
Beer tax ²	397	396	400	412
Sugar tax	158	160	160	159
Spirits monopoly	297	340	295	271
Totals ¹	2,827	2,970	2,881	2,852
OTHER TAXES ON CONSUMPTION³	50	50	48	49
Total tax revenues ¹	9,025	9,325	9,096	9,026
¹ Differences due to rounding off. ² Payments from this tax are made to certain States. ³ Including the wine tax from which payments are made to certain States.				

still exceed the original estimates by about 14 millions, due mainly to the fact, already explained, that the provision in the 1929-30 budget law, authorizing the Reich to retain up to 120 millions from the available yield of the taxes on income, corporation income and turnover in excess of 4,530 millions, did not come into operation. Moreover, the share in the yield of the tax on salaries and wages in excess of 1,300 millions, which was assigned to some of the social insurance funds, pursuant to the amendment to the so-called Brüning law, proved to be only 96 millions as compared with the estimate of 125 millions carried in the supplementary budget. This decrease was due mainly to the decline in the yield of this tax during the later months of the year.

The yields of individual taxes showed important changes during the year, notwithstanding the fact that the total tax revenues remained practically constant. Compared with 1928-29, the following decreases appear: income tax, 84 millions; corporation income tax, 50 millions; company tax, 24 millions; tax on Bourse transactions, 18 millions; customs, 9 millions; and the spirits monopoly, 26 millions. The decrease in the case of the spirits monopoly is noteworthy in view of the increase of about 20 per cent in the rate of the alcohol tax, which became effective June 1, 1929. On the other hand, the yields of the following taxes increased: the automobile tax by 28 millions, the beer tax by 15 millions, the turnover tax by 13 millions, the property tax by 91 millions, and the tobacco tax by 43 millions. The increase in the yields of the last two taxes is doubtless due in part to the increase in rates already mentioned.

(b) Administrative revenues.

The monthly published returns of the administrative revenues of the Reich for the period April 1, 1929, to March 31, 1930, are summarized in the table on page 148 which also gives the estimates for the entire year 1929-30, as modified by the supplementary budget, and the actual figures for the entire year 1928-29. The figures for the period April 1, 1929, to March 31, 1930, as already indicated, do not represent the complete transactions for the financial year 1929-30 and are therefore not comparable with the actual revenues of 1928-29. Further revenues will doubtless be received between March 31, 1930, and the closing of the accounts for the year in the latter part of May, but there is no basis at present for estimating their volume.

The administrative revenues actually received from April 1, 1929, to March 31, 1930, amounted to 605 millions, or 21 millions less than those of the full year 1928-29. The decrease occurred entirely in the revenues of the ordinary budget which diminished by 108 millions, while those of the extraordinary budget increased 88 millions. In the ordinary budget the principal decreases were in seigniorage on the coinage which yielded 66 millions less than in 1928-29, as a result of reduced minting consequent upon the substantial completion of the coinage requirements of Germany, and in the receipts of the Ministry of Labor which were 27 millions less than in 1928-29, mainly as a result of smaller reimbursements of

relief loans. In the extraordinary budget the increase was due largely to the reimbursement of advances made by the Reich to the Federal States in 1926-27 for mortgages on small dwellings, of which 120 millions fell due in 1929-30.

Comparative statement of administrative revenues of the Reich, 1928-29 and 1929-30 (In millions of reichsmarks)	Financial year 1928-29 actual	April 1, 1929, to March 31, 1930 ¹	Financial year 1929-30 estimates ²
<i>Ordinary budget</i>			
Dividend on preference shares, German Railway Company	51	51	51
Surplus from Reichspost	150	140	192
Seigniorage on the coinage	137	71	129
Utilization of holdings in Reich loans	—	— ³	51
Miscellaneous administrative re- ceipts			
Ministry of Labor	62	35	41
Ministry of Defence	18	18	17
Ministry of Justice	16	19	18
Ministry of Transport	36	44	39
Ministry of Finance	82	76	83
Other administrations	54	45	49
Totals....	606	499	670
<i>Extraordinary budget</i>	19 ⁴	107	145
Totals ⁴	626	605	815

¹ These figures represent the revenues up to March 31, 1930, and do not include revenues which may be received between that date and the closing of the accounts toward the end of May, 1930.

² Including the estimates of the supplementary budget, together with 169 millions of estimated revenues brought forward from 1928-29 and 51 millions of current revenues from the utilization of holdings in Reich loans, for the reason explained on page 112.

³ This item, as explained on page 112, was not included in the budget estimates, and the extent to which these holdings have actually been utilized in 1929-30 has not yet been reported.

⁴ Differences due to rounding off.

⁵ Not including transfer of 62 millions from special working fund, brought forward from 1924-25.

(c) Expenditures.

The aggregate figures of the twelve monthly returns of the expenditures of the Reich for the period April 1, 1929, to March 31, 1930, are given in the table on page 149, together with the budget estimates for 1929-30 and the actual expenditures of the year 1928-29. The budget estimates for 1929-30 include the expenditure authorizations of 443 millions brought forward from the preceding year, and the net additional expenditures of 273 millions authorized in the supplementary budget. While the modified estimates take into account the net reductions in the charges arising out of the war already indicated, the figures of expenditures for the period April 1, 1929, to March 31, 1930, still include these charges on the basis of the original estimates.

The aggregate expenditures made in the twelve months from April, 1929, through March, 1930, do not, of course, include all of the expenditures of the financial year 1929-30, and therefore are not comparable with the figures of the full financial year 1928-29. The expenditures amounted in the twelve months' period

to 10,569 millions, or 319 millions less than in the full year 1928-29, but this figure will be subject to important modifications before the accounts for the year are closed.

Comparative statement of expenditures of the Reich, 1928-29 and 1929-30 <small>(In millions of reichsmarks)</small>	Financial year 1928-29 actual	April 1, 1929, to March 31, 1930 ¹	Financial year 1929-30 estimates ²
<i>Ordinary budget</i>			
Tax transfers to States and com- munes	3,413	3,223	3,298
Salaries, including Army and Navy	829	842	863
Pensions	1,853	1,770	1,781
Social insurance	441	534	614
Unemployment relief	176	160	184
Advances to unemployment insur- ance institute	—	291	263
Public debt			
Interest and sinking fund	130	215	221
Revalorized debt	372	367	446
Safety police	200	195	195
Miscellaneous payments			
Ministry of the Interior	119	42	55
Army, payments for materiel ..	340	253	276
Navy, payments for materiel ..	169	128	161
Ministry of Transport	150	121	150
Other administrations	414	342	436
Totals ²	8,606	8,483	8,941
Payments requiring adjustment for 1929-30 on entry into force of the Young Plan			
Internal war charges	425	247 ⁴	376
Payments in execution of Dawes Plan and Young Plan	1,201	1,537 ⁴	1,097
Totals....	10,232	10,267	10,414
<i>Extraordinary budget</i>			
Settlements and housing	64	60	92
Advances to unemployment in- surance institute	260	150	150
Productive unemployment relief ..	125	42	43
Communications (waterways, etc.).	68	69	69
Payments in execution of Dawes Plan	20	1	1
Purchases of bonds of Reich loans	105	— 30	—
Miscellaneous administrative pay- ments	16	11	79
Totals ²	656	302	432
Grand totals....	10,888	10,569	10,846

¹ These figures represent the expenditures up to March 31, 1930, and do not include expenditures which may be made between that date and the closing of the accounts towards the end of May.

² Differences due to rounding off.

³ Including the estimates of the supplementary budget, together with 443 millions of authorizations brought forward from 1928-29 and 51 millions referred to on page 123.

⁴ Subject to adjustment in the final accounts of the year, to take account of the net reduction in respect of these two items, taken together, which becomes effective with the final adoption of the Young Plan.

The principal changes already known are as follows:

INCREASES

69 millions in the tax transfers to the States and communes, according to the financial survey published with the draft budget of 1930-31.

50 millions in the extraordinary budget, for the participation of the Reich in the Preussenkasse.

51 millions in the revalorized debt, which will have to be added to the figures of the final accounts for the reason explained on page 123.

36 millions in internal war charges, representing the contribution to the costs of commissions and of occupation, to be entered in the accounts upon the coming into force of the Young Plan.

6 millions in social insurance charges, representing transfers to the miners' pension insurance.

DECREASE

464 millions in the payments in execution of the Dawes Plan and the Young Plan, representing the gross budgetary savings to be realized on the coming into force of the Young Plan.

This list, of course, is not complete but it indicates the substantial modifications which remain to be made in the reported figures.

The reduction of 354 millions in the extraordinary budget expenditures in the period April 1, 1929, to March 31, 1930, as compared with the year 1928-29, is due mainly to the fact that a large part of the advances to the unemployment insurance institute and of the expenditures for productive unemployment relief has been transferred to the ordinary budget. Moreover, the payments for the purchase of bonds of Reich loans are entered as minus 30 millions, representing the net result of transactions in connection with bonds purchased in 1928-29 and 1929-30, whereas in 1928-29 there was a net expenditure of 105 millions for this purpose. The transactions in the extraordinary budget in 1929-30 are traced more fully in the section on the extraordinary budget.

5. The Financial Year 1930-31.

The draft budget for 1930-31 was not submitted to the Reichstag until May 2, 1930, and owing to the delay in its submission the finances of the Reich are now being carried on, as they were in the first quarter of 1929-30, under an emergency budget enacted at the end of March. In both years the reason for the delay in presenting the budget was the difficulty of reaching an agreement among the Government parties upon the means of providing the additional cover required to balance the budget, while in 1930-31 there was the further difficulty, which cannot yet be considered as definitively resolved, of finding a financial basis for the execution of the unemployment insurance law which will prevent it from operating as an unlimited drain on the budget of the Reich. The largest single appropriation necessitating additional cover in 1930-31 is the debt reduction fund for which, as already explained, the Government and Parliament at the end of December, 1929, agreed that 450 mil-

lions should be set aside out of taxes and savings in expenditure by the end of 1930-31. In the draft budget this amount is increased to 515 millions, which covers the ordinary budget deficits of 1928-29 and 1929-30 amounting to 154 millions and about 360 millions, respectively. These deficits have resulted mainly from the failure of the responsible authorities to act in good season to increase taxes or to control expenditures sufficiently to keep the budget in balance. It was inevitable that, in the end, the necessary action would have to be taken, and the delays and postponements which have taken place have been costly to the Reich and have had serious repercussions on German credit and trade.

Two structural changes of importance have been made in the draft budget. The first is the elimination from the budget of almost all the tax transfers to the States and communes. On the revenue side, practically all the revenues which represent the share assigned to the States and communes are omitted, while on the expenditure side a corresponding amount of tax transfers has been deducted. Indeed, the only tax transfers shown in the budget are the amounts based on the beer tax, the lump sum payments to certain States out of the beer tax and the supplementary payments to certain States out of the income tax, aggregating 189 millions, as compared with total transfers of 3,390 millions. The budgetary reporter of the Reichsrat, in his comments attached to the draft budget, considers that this change "is to be welcomed as avoiding the deceptive inflation of the budget of the Reich", and that it "is correct because the Reich exercises in this connection the function of administering common taxes, rather than the giving of funds". The real danger is, however, that by this change the situation will be still further confused, and that the Reich will feel itself discharged of responsibility for a category of expenditures which, after all, constitutes nearly one-third of its total budget. It is a bad principle, moreover, to deal with Government revenues and expenditures outside the budget, particularly when it is done on such a scale as this. The second change, which first made its appearance in the supplementary budget of 1929-30, is the inclusion, on the revenue side, of the contribution of 660 millions which, under the Young Plan, the German Railway Company makes to the Annuity and the inclusion of this same sum on the expenditure side, in the total Annuity to be paid by Germany. This change takes account of the fact that under the new Plan the payments from the Railway Company take the form of a tax imposed on the Company as a "contribution to the Annuity for reparation purposes to be paid by the Reich", whereas under the Dawes Plan the payment by the Railway Company was for the service of its bonds and did not affect the budget of the Reich.

In the table accompanying this section, the 1930-31 draft budget figures have been modified by eliminating both of these structural changes in order to render these figures comparable with those of the previous year, which are also shown in the table.

As a background to the consideration of the draft budget it is useful to refer briefly to the proposals affecting the 1930-31 budget

Comparison of the consolidated budget statements of the Reich, 1929-30 and 1930-31 (In millions of reichsmarks)	1929-30			1930-31
	Original estimates ¹	Supple- mentary estimates	Definitive estimates ⁴	Draft estimates
<i>Current revenues</i>				
Tax revenues	9,325	— 229	9,096	9,769
Administrative revenues	641	4	645	541
Industrial charge	—	150	150	350
Sale of preference shares of German Railway Company	—	—	—	199
Reserve fund, Commissioner of Con- trolled Revenues	—	—	—	101
Total revenues ¹ ...	9,966	— 75	9,891	10,959
<i>Current expenditures</i>				
Tax transfers to States and com- munes	3,272	15	3,287	3,390
General administration	2,208	37	2,246	2,352
Service of the public debt	508	43	550	1,047
Charges arising out of the war				
Execution of Dawes Plan...	1,541	— 875	665	—
Execution of Young Plan...	—	410	410	1,201
Internal charges ²	1,552	146	1,697	1,656
Social expenditures	857	437	1,294	1,103
Investments, loans, etc.	193	61	254	234
Total expenditures ¹ ...	10,130	273	10,403	10,984
Current deficit ¹ ...	164	348	511	24
<i>Proceeds of loans</i>				
From loans authorized to be issued	164	50	214	24
Deficit indicated in the estimates ¹	—	298	298	—
¹ Differences due to rounding off. ² Including war pensions, partly estimated. ³ Including 51 millions of current revenues and expenditures in excess of the budget estimates for the reason explained on page 112. ⁴ As the estimates of 1930-31 do not include authorizations and balances transferred from 1929-30, which are not yet known, the authorizations and balances transferred from 1928-29, as shown in the table on page 107, have been deducted from the figures in this column in order that the latter may be comparable with those of the estimates of 1930-31.				

which were first presented to the Reichstag on December 12, 1929, and which the Chancellor then described as "for the relief of German business" and as "intended in the first instance to stimulate the required formation of fresh capital". The stimulus was to come from reductions in direct taxes aggregating 915 millions in 1930-31, of which 750 millions would represent a direct loss of budget revenues. Among the taxes to be reduced were those on income, on property, on securities, on companies, on Bourse transactions, and on income from interest on fixed-interest-bearing loans and also the State taxes on occupations and real estate. In respect of these reductions, the Reich, for a time at least, was to compensate the States.

There were also 165 millions of reductions not affecting the budget, to be realized by suppressing the Rentenbank interest charge on agriculture and by an initial step toward the suppression of the industrial charge, which was finally to disappear in 1935-36. The loss of 750 millions of revenues to the budget was to be recovered by 350 millions from the savings under the Young Plan and 400 millions from increases in the direct taxes on tobacco and beer. The programme further included a plan for dealing with the extraordinary expenditures of the Reich, certain modifications to the financial settlement with the States and communes, and the introduction of a flexible element into the taxation system of the communes, as well as increased control over their finances.

Within a fortnight after the presentation of this programme, the situation was changed, as explained elsewhere, by the adoption of the law requiring 450 millions of debt reduction by the end of 1930-31 out of taxes and savings in expenditure. Subsequently the growth of the budgetary deficit during the last quarter of the financial year 1929-30 removed all prospect of tax reductions, unless corresponding reductions of expenditure could be made. In the draft budget of 1930-31, however, expenditures are higher rather than lower than in the preceding year, and instead of tax reductions the problem of the budget has been to increase taxes sufficiently to provide the additional cover required to meet the increased expenditures. The tax laws of April 15, 1930, with the customs decrees of February 22, 1930, have now increased the turnover and beer taxes, raised the customs duties on tea, coffee, benzine and benzol, and placed a new tax on mineral waters and on benzine and benzol of German origin. These increases altogether are expected to produce 476 millions of additional revenues.

The draft budget for 1930-31, which had been introduced into the Reichsrat in February, 1930, and voted by it on April 16, 1930, was submitted to the Reichstag on May 2, 1930, accompanied, as in previous years, by a comprehensive financial survey explaining the principal developments of 1929-30 and the problems of the budget of 1930-31. The revenues and expenditures of the draft budget, modified as already indicated, are consolidated and summarized in the table on page 152, together with the comparable figures for 1929-30. The additional resources required to bring the budget into balance were 1,091 million reichsmarks, of which 511 millions were required to bring the revenues up to the level of the expenditures in the definitive estimates of 1929-30, and a further 581 millions were required to cover the excess of the 1930-31 expenditures over those of 1929-30. The draft budget provides 1,068 millions of additional cover and leaves a prospective deficit of 24 millions which, as it occurs in the extraordinary budget, is covered by an equivalent authorization to borrow.

On the revenue side, the means by which the 1,068 millions of additional cover were provided is shown in the following analysis, expressed in millions of reichsmarks:

(a) From tax revenues in excess of the estimates of the supplementary budget of 1929-30	673
Arising as follows:	
From increased taxation under decrees of February 22, and laws of April 15, 1930	
Turnover	137
Customs duties on tea, coffee, benzine and benzol ..	115
Beer	150
Mineral waters (new)	35
Benzine and benzol of German origin (new)	12
From changes in dates of collection of sugar and tobacco taxes — law of April 15, 1930 (non-recurrent)	27
	476
From increase in tobacco tax, law of December 22, 1929	194
From estimated changes in yields of taxation: net increase	3
Net increase	673
(b) From the industrial charge	200
Increase in annual charge incorporated in budget in 1930-31 (280 millions as compared with 150 millions in 1929-30)	130
From reserve fund of Bank for Industrial Debentures	70
	200
(c) From reserve fund of Commissioner of Controlled Revenues	101
(d) From sale of preference shares of German Railway Company	199
Gross increase in revenues	1,173
(e) Less net decrease in administrative revenues	105
Net increase in revenues	1,068

The tax increases, as well as the basis for the general estimates of tax revenues, were discussed by the Finance Minister in his budget speech of May 2, 1930. While the yield of the turnover tax, he felt, depended on the development of trade, and the recent raising of the protective duties on foodstuffs might affect the yield from customs, nevertheless he expressed the belief that "the other estimates of revenues are so prudent that we can afford to take the risk involved in the estimates of the customs and turnover tax, without exposing the balance of the budget to the charge of being a sham". It will be observed that nearly one-half of the additional revenue provided for the budget comes from three exceptional sources. The first is the amount furnished by the charge on industry, originally imposed to provide for the service of the German industrial debentures under the Dawes Plan and amounting to 330 millions a year, consisting of the standard contribution of 300 millions a year for reparation purposes plus 10 per cent additional for the reserve fund at the Bank for Industrial Debentures. The debentures were to be cancelled when the Young Plan came into force, and, as already indicated, the Government had proposed in December to suppress the charge gradually over a period of five years. The first step in this direction is to be taken in 1930-31 when the charge is reduced to 280 millions, as compared with 330 millions in 1929-30. Further, from the reserve

fund of about 120 millions accumulated by the Bank for Industrial Debentures, 70 millions are to be used for budget purposes in 1930-31. The second exceptional reserve utilized is the reserve fund of the Commissioner of Controlled Revenues, amounting to 101 millions. The third is an amount of 199 millions, which is expected to be realized from the sale of preference shares of the German Railway Company, of which 150 millions are earmarked as a grant to the unemployment insurance institute and 49 millions for the reduction of the deficit in the extraordinary budget. On the other hand administrative revenues show an estimated net decrease of 105 millions. The profits from the Reichsbank increase by 35 millions, but the surplus from the Reichspost is 27 millions less than in 1929-30, owing mainly to the absence of any "emergency transfer in aid of the Reich" such as was made in 1929-30 to the amount of 35 millions. The receipts from the repayment of relief loans, etc., decrease by 58 millions, while the item representing the utilization of holdings of Reich loans, amounting to 51 millions in 1929-30, as explained on page 112, does not again appear.

Of the additional cover requirements in 1930-31, 581 millions represent a net increase in expenditures. The following statement, which is arranged in accordance with the main groups of expenditures shown in the table on page 102, summarizes the principal items composing this net increase, expressed in millions of reichsmarks:

INCREASES IN EXPENDITURE	
(a) Tax transfers to States and communes	103
Additional transfers resulting from new taxes and increased rates of turnover and beer taxes	167
Less net decrease in transfers from other taxes, due to lower estimates	64
Net increase....	103
(b) General administration	106
Increased remuneration, pensions and materiel of Army and Navy	59
Compensation to the States for their claims against the Reich	13
Increased charges for agriculture	35
Less sundry net decreases	1
Net increase....	106
(c) Service of the public debt	497
Redemption of floating debt	515
Less sundry net decreases	18
Net increase....	497
(d) Execution of Young Plan	126
Increase in budget contribution to Annuity	25
Increase in service of German External Loan, 1924 (12 months in 1930-31 as compared with 7 months in 1929-30)	36
Deposit to be maintained in the Bank for International Settlements	65
Total....	126
Total increase....	832

DECREASES IN EXPENDITURE			
(e) Internal war charges			41
Decrease in war pensions	37		
Decrease in costs of occupation, and of commissions, etc.	27		
Sundry net decreases	10		
			<hr/> 74
Less increases			
Service of debt certificates under Polish Agreement	27		
Increase in annuity under Belgian Agreement	5	32	
			<hr/> 41
(f) Social expenditures			191
Grants to unemployment insurance institute	183		
Subsidies to social insurance institutes	33		
			<hr/> 216
Less sundry net increases		25	
			<hr/> 191
(g) Investments, loans, etc.			
		Net decrease....	20
		Total decrease....	<hr/> 252
		Net increase ¹ ...	<hr/> 581

¹ Differences due to rounding off.

The additional tax transfers to the States and communes include the bulk of the yield of the new tax on mineral waters as well as an amount equal to one-sixth of the yield of the beer tax, which is used for the first time as a measure for further tax transfers to the States and communes. The total tax transfers, after decreasing by 114 millions in 1929-30, rise by 103 millions in 1930-31, thereby returning to approximately their 1928-29 level. The continuing and, in some cases, increasing deficits which many of the States incurred in 1929-30, appear to have made their demands for larger transfers in 1930-31 both insistent and effective.

Under general administration, it is of particular interest to note the appropriation of 13 millions as compensation to the States on account of their claims against the Reich for railways and waterways taken over by the Reich after the war. These claims run into very large amounts, and the Government has not yet indicated what relation this first appropriation will have to their final disposition or to the financial settlement with the States and communes.

The service of the public debt includes an increase of 515 millions for debt redemption, which has already been fully explained.

Under the execution of the Young Plan, the appropriation of 65 millions to provide the agreed deposit of the German Government with the Bank for International Settlements is, of course, a non-recurrent item, though this figure does not represent the maximum deposit to be made under the terms of The Hague Agreements.

Under internal war charges the various changes include the first payment of 27 millions for the service of the debt certificates issued under the Polish agreement and an increase of 5 millions in the annuity payable under the Belgian mark agreement. On the other hand the contributions of 36 millions by Germany in 1929-30

for the costs of occupation and of commissions were, of course, non-recurrent items.

Under social expenditures, 20 millions of the decrease in social insurance subsidies arises from a prolongation of the period for the payment of the special subsidies to the old age and disablement insurance out of the customs duties, thereby reducing the annual payments, and a reduction of 17 millions is made in the subsidies to the health insurance. Much more important, however, is the decrease of 183 millions in the appropriation for the unemployment insurance institute. For 1930-31, the liabilities of the budget in respect of unemployment insurance are defined in the law of April 28, 1930, the provisions of which are explained in the section on social expenditures. This law fixes the charge on the budget at a maximum of 230 millions, as compared with 413 millions in 1929-30, according to the estimates of the supplementary budget. The monthly returns of the Finance Ministry, however, indicate that the estimates of 1929-30 have been exceeded by nearly 30 millions. Whether the new law will be effective in keeping the charges for unemployment insurance in 1930-31 within the budget appropriation remains to be seen. The law, however, provides for further action by the Government, concerning which the Finance Minister in his speech of May 2, 1930, made the following statement:

"When the recent laws were passed in this House, a resolution was adopted requiring the Government to take the necessary measures for the reform of the unemployment insurance before the summer recess. I can only emphatically declare that we shall shoulder this task and that I, speaking for myself and for my own department, consider it urgently necessary to recognize the facts of the case in due time, to draw the necessary conclusions and to see to it that the budget, which is now balanced, is not wrecked once more by subsidies in excess of the estimates."

The persistent high level of unemployment appears to indicate that effective measures of reform will need to be taken in good season, if the institute is to avoid coming to the Reich for further advances.

The Government has recently announced that a comprehensive programme will be undertaken over a period of years for the relief of agriculture, particularly in the eastern provinces, the main purposes of which were stated by the Finance Minister in his budget speech to be settlement on the land, consolidation of debt, strengthening of property, reduction of burdens and improvement of communications. As yet, however, the programme has not been submitted in the form of draft legislation. While the draft budget of 1930-31 includes an item of 52 millions for agricultural relief in the east and about an equal amount was appropriated in 1929-30, the new programme, which appears to involve not only appropriations from the budget but also the assumption of large guaranties by the Reich, is not yet reflected in any budgetary appropriation. The use of other resources for the purpose of this programme has also been proposed, including the proceeds of the liquidation of property of the Reich in the territory now under occupation and even some

modification in the proposal to abolish the industrial charge in five years, mentioned in the Government's financial programme. The Finance Minister in his budget speech stated that "the Government of the Reich means to make available all the resources which we can raise, without, on the one hand, imposing new taxation on taxpayers, or, on the other hand, involving the Treasury in difficulties, in order to carry through measures of relief for the east of Germany, whose needs we look upon as one of the very greatest of all national problems, for which a solution must be found". But, he said, "neither the agriculturists nor the eastern provinces can be helped permanently or decisively unless order is maintained in the finances of the German Reich". The extent of the programme and the burden which it may impose on the budgets of 1930-31 and succeeding years remain questions for future decision.

The additional expenditures of 1930-31, as the foregoing analysis has indicated, include two items, 515 millions for debt reductions and 65 millions for the deposit of Germany in the Bank for International Settlements, or 580 millions in all, which may be considered as largely non-recurrent and which together account for the entire increase in expenditure, as the remaining increases and decreases offset one another. Thus no substantial reduction of expenditures appears to have been effected in the budget; on the contrary, the Finance Minister in his budget speech stated that the possibilities of effective cuts in the Reich budget under present circumstances are limited "without amendment of the law and a systematic preparation within the framework of the Reich budget". Section 3 of the law of April 28, 1930, gives the Finance Minister, conjointly with the Commissioner of Economies of the Reich, authorization

"to draw up a long-term programme of economies providing a basis for reduced taxation and in particular a speedy reduction of recurrent expenditure.

"Economies to the amount of not less than 600 million reichsmarks of the expenditure of the ordinary budget for 1930-31 are to be made in the budget for 1931-32.

"The economies effected by reducing the total expenditure of the ordinary budget are to be utilized to reduce direct taxation, having consideration to the cash position and to the surpluses or deficits in the revenues of the Reich."

In accordance with this authorization the Minister stated that he proposed to introduce a bill before the summer recess, the main lines of which would include regulations looking towards "fixing a definite maximum beyond which the total expenditures of the country are not to rise"; reduction of the number of the authorities of the Reich, simplification of administration, gradual reduction of the numbers of officials and employees, further measures in connection with special allowances, conditions of leave, etc., economies in respect of pensions, and the extension of these principles to the States and communes, including a bill to prevent the salaries of their officials from rising above the salaries of corresponding Reich officials. Further in respect of the affairs of the States and communes the Minister announced that the bill for the standardization

of the principal taxes of the States, which has been in the hands of the tax committee of the Reichstag since December, 1928, would be brought forward for prompt action and that the "first sums available in 1931-32 for tax reductions are to go to reduce the taxes on real estate and occupations levied by the States and communes". The Minister also said that, as provided in the Government's financial programme, "one of the legislative tasks of the next few months" would be to introduce a flexible element into the communal tax system and to strengthen the control over the finances of the communes by requiring an independent audit of their accounts. With regard to a definitive financial settlement between the Reich and the States and communes, the Minister said: "Tax reductions and a definitive settlement are the ingredients of the great work of financial reform. They cannot be brought to completion in one year but require for their execution a number of years." On the other hand the section on the transfers to the States and communes has explained the drain on the budget of the Reich which has occurred through the successive provisional settlements governing these transfers and has emphasized the need of a sound definitive settlement which will clearly define the responsibilities of the Reich on the one hand and the States and communes on the other.

6. *The Extraordinary Budget.*

The accumulated deficit in the extraordinary budget continues to be one of the principal factors in the budgetary difficulties of the Reich. During the past year the problem of carrying this deficit has become more and more troublesome, and it has been one of the major causes of the acute tension which developed in the cash position of the Reich in April and May, 1929, and later in December, each time necessitating emergency measures of relief. Previous Reports have described the course of the extraordinary budget in recent years, particularly since 1926-27, when the practice of covering extraordinary budget expenditures by authorizations to borrow was actively resumed. The present Report, therefore, deals only with the developments of the financial year 1929-30.

The transactions in the extraordinary budget in the period April 1, 1929, to March 31, 1930, as reported by the Finance Ministry of the Reich, are summarized in the following statement, expressed in millions of reichsmarks:

REVENUES	
Loans	
Reich loan of 1929.....	179
7 per cent bonds, 1929, issued to old age and disability insurance institute.....	163
Administrative revenues	107
Total ¹	448

¹ Difference due to rounding off.

EXPENDITURES

Housing and settlements	60
Advances to unemployment insurance institute	150
Productive unemployment relief	42
Communications (waterways, etc.)	69
Purchase of bonds of Reich loans	— 30
Miscellaneous	11
Total	302
Excess of revenues over expenditures	146
Deficit brought forward April 1, 1929	905
Reduction in deficit, April 1, 1929, to March 31, 1930	146
Net cumulative deficit, March 31, 1930 ¹	758

¹ Difference due to rounding off.

At the beginning of 1929-30, the accumulated deficit in the extraordinary budget stood at 905 millions, and since the expenditure authorizations for the year, including authorizations brought forward from 1928-29, amounted to a further 382 millions, a total of 1,287 millions of cover was required to bring the budget into balance. Under the budget as voted by the Reichstag, only 145 millions were provided by the estimates of administrative revenues, including estimates brought forward from 1928-29, and a total deficit of 1,142 millions was thus anticipated, which was to be met by the issue of loans. Subsequently, in the supplementary budget, expenditure authorizations were increased by 50 millions on account of the participation of the Reich in the Preussenkasse, but no additional cover was provided, other than a further authorization to issue loans to a like amount.

Altogether, therefore, the definitive estimates of the extraordinary budget for 1929-30, as indicated in the table on page 105, anticipated a cumulative deficit of 1,192 millions. As cover for this deficit, authorizations to borrow were available in a like amount, and of these 164 millions were definitely assured through the issue of bonds to the old age and disability insurance institute, while a further 179 millions had actually been received through the issue of the Reich loan in May and June, 1929, before the budget was voted. The estimates indicated, therefore, that as a result of these two issues, the cumulative deficit at the end of 1929-30 would be reduced to 849 millions.

In the period April 1, 1929, to March 31, 1930, it will be observed from these figures, the net result of the transactions in the extraordinary budget has been a decrease of 146 millions in the cumulative deficit, which is arrived at after the inclusion of the long-term bonds already referred to. The other transactions in the extraordinary budget during the same period, however, have shown a deficit of 33 millions, so that the cumulative deficit on March 31, 1930, stood at 758 millions. As has already been pointed out, however, the transactions for the period April 1, 1929, to March 31, 1930, do not represent the results for the year 1929-30, since the accounts for the financial year are kept open until about seven weeks after the close of the year.

The returns of the financial year 1929-30 published to date include in the revenues almost the whole of the proceeds of the bonds issued to the old age and disablement insurance institute in respect of which 163 millions are shown as received as compared with 164 millions included under this head in the estimates, and in addition 107 millions from administrative revenues as compared with 145 millions in the estimates. It remains to be seen how much of this latter item will be received before the accounts of 1929-30 are closed. In the expenditures the sum of 150 millions authorized in the extraordinary budget for advances to the unemployment insurance institute has been entirely expended; the additional advances made during the last quarter of the financial year do not concern the extraordinary budget since in the supplementary budget voted in March, 1930, they were included in the ordinary budget appropriations. The item for purchase of bonds of Reich loans which appears in the foregoing statement in the amount of minus 30 millions represents the net result of the purchase of bonds in the amount of 49 millions in the first eleven months of the year, for the purpose of maintaining their rate in the market, in virtue of the general authorization in the budget law, and the sale in March, 1930, of 79 millions of bonds so purchased during this period, and in the preceding year.

The final results for the year, as already stated, are not yet known, but in view of the actual transactions of the period April 1, 1929, to March 31, 1930, and of the transactions which may be anticipated between March 31, 1930, and the closing of the accounts, the most important of which is the expenditure of 50 millions in respect of the participation of the Reich in the Preussenkasse, the cumulative deficit at the end of the year may be estimated at between 800 and 850 millions, as compared with 905 millions at the beginning of the year.

The loan contracted in the fall of 1929 with Kreuger & Toll and the Swedish Match Company will provide cover in 1930-31 for about one-half of the cumulative deficit in the extraordinary budget. Under the terms of the loan contract dated October 26, 1929, the companies are granted a preponderant participation in a monopoly which has since been set up for the import, manufacture and sale of matches in Germany, and in return they agreed, among other things, to purchase 6 per cent 50-year bonds of the Reich to a nominal value of 125 million dollars at a price which was to yield the Reich about 488 million reichsmarks. The contract was subject to the enactment by the Reich of the match monopoly not later than January 31, 1930, and the ratification by the Reich of the Young Plan not later than May 31, 1930. Both these conditions were duly fulfilled on January 29, 1930, and March 26, 1930, respectively, and accordingly the proceeds of the loan, which was divided into two tranches of 50 million dollars and 75 million dollars, became due under the terms of the contract not later than seven and sixteen months, respectively, after enactment of the match monopoly, or, in other words, not later than August 29, 1930, and

May 29, 1931. On March 26, 1930, however, it was officially announced that the proceeds of the loan had been discounted by a syndicate of German and foreign banks and bankers, and that the discounted proceeds of the first tranche would be available to the Reich in April, 1930, and those of the second tranche in June, 1930.

In addition to the loan, a further measure was adopted in December, 1929, which was originally intended to reduce the extraordinary budget deficit. This was the law providing for the creation of a fund of 450 millions for the redemption of floating debt, details of which are given in the next section. The original intention to utilize this fund for the purpose of reducing the deficit in the extraordinary budget now appears to have been abandoned, and, according to the draft budget of 1930-31, it will be entirely absorbed in liquidating the deficits in the ordinary budget for the years 1928-29 and 1929-30.

7. The Cash Position.

The cash position of the Reich has been under acute tension twice during the financial year 1929-30; first in April and May, 1929, at a time when the German credit market was also under great strain, and later in December, under pressure of the year-end requirements. The tension of April and May was relieved by the various emergency measures which were described in the last Report, including the long-term loan issued in May to the nominal amount of 183 millions and the one-year banking credit of 210 millions which was arranged in June. The relief, however, proved to be only temporary, owing to the great weight of the accumulated deficit of previous years and to the fact that in the budget for 1929-30, as voted by the Reichstag in June, 1929, and accepted by the Government, the estimates of both revenues and expenditures were placed on an artificial basis. The burden of carrying this concealed deficit, which commenced to be felt acutely in December, 1929, added very greatly to the difficulties of the cash position, and for the first nine months of the year the relief which might have been obtained at the beginning by tax increases and the reform of unemployment insurance was entirely lost to the Treasury.

In the month of December, and particularly in anticipation of the requirements over the end of the calendar year, an acute shortage of cash again developed and it became necessary to secure additional funds. This problem was presented to the Reichstag by the Chancellor on December 12, 1929, as "the decisive and burning question of the moment", and as the most immediate object of the Government's programme of financial reform. The Chancellor estimated that at the end of December a total of 1,700 million reichsmarks would be required, while the resources then available would be only 1,370 millions, showing "that to meet its obligations at the December settlement the Treasury needs a credit of 330 millions". In fact, however, the amount required proved to be somewhat larger, mainly because the Chancellor had included in his figures of available cover the administrative credit

of 100 millions at the Reichsbank, though the Bank law of August 30, 1924, provided that the Reich at the end of any business year must not be indebted to the Reichsbank in any way.

As a basis for obtaining the necessary credits over the end of December, the Chancellor urged the immediate enactment of two measures, one to increase the unemployment insurance contributions from 3 per cent to $3\frac{1}{2}$ per cent and the other to increase the yield of the tobacco tax by 220 millions a year, both to come into force on January 1, 1930. During the following week the bills embodying these proposals were introduced into the Reichstag, and subsequently the Finance Ministry entered into negotiations with the Reich loan syndicate, headed by the Reichsbank, for a banking credit of 350 million reichsmarks. The conclusion of the credit was announced by the Reichsbank on December 21st as follows:

"An agreement has been concluded between the Reich Finance Ministry and the Reich loan syndicate, headed by the Reichsbank, according to which the syndicate takes over from the Reich 350 million marks of Reich Treasury certificates, nominal amount, of which 50 million marks are to be repaid at the middle of each month, beginning with April 15, 1930, so that the total credit is discharged on October 15, 1930. The repayment is to be made out of the amortization fund for the accumulation of which the draft law before the Reichstag provides. The enactment of this law, which requires the Government and Parliament to reduce the floating debt according to a fixed schedule, is thus a pre-requisite for the conclusion of the loan. The interest rate of the issue amounts to $\frac{1}{2}$ per cent above the Reichsbank discount rate; a commission of $\frac{3}{4}$ per cent is payable in addition. The re-sale of the certificates (at $7\frac{1}{2}$ per cent per annum) is restricted to the internal market."

It will be observed that a pre-requisite for the conclusion of the credit was the passage by Parliament of a law to reduce the floating debt, then pending, the text of which is as follows:

"In the preparation of a supplement to the budget estimates for 1929-30 and of the budget estimates for 1930-31 an amortization fund to pay off the floating debt of the German Reich is to be provided; this fund must reach the amount of 450 millions not later than the end of the financial year 1930-31. The fund is to be accumulated out of taxes and savings in expenditure."

This law, together with the two emergency laws relating to the tobacco tax and unemployment insurance contributions, was finally enacted toward the end of December. The provision for increased unemployment contributions, however, was limited in its operation to a period of six months, ending June 30, 1930.

The effective yield of the banking credit provided through the Reich loan syndicate, after allowing for discount and commissions, amounted to about 330 millions, conforming generally to what the Chancellor estimated would be required. The last 50 millions of this credit, however, was not made available by the banking syndi-

cate until January 2, 1930. Moreover, as required by the terms of the Bank law, the administrative credit ordinarily available to the Reich at the Reichsbank, up to 100 million reichsmarks, was repaid on December 31, 1929. The Treasury, therefore, still found itself in need of additional cover over the end of December, and this was provided by the extension by the Agent General to the Treasury of the Reich of additional credit in the amount of 61 millions by way of anticipation of the funds becoming available under The Hague Protocol in the month of January, 1930. This credit, together with that of 155 millions previously advanced by the Agent General, brought the total of such credits up to 216 millions on December 31, 1929. It will be recalled that Article I of Annex III to The Hague Protocol provided that for the payments from October 1 to December 31, 1929, the Agent General, in consultation with the German Government, should "take the necessary steps to afford the Treasury of the Reich, during this transitional period, every possible facility consonant with maintaining the rights of the Creditor Powers", and, as already explained in an earlier chapter of this Report, the operation of these provisions was extended by the action of the creditor Powers to January 31, 1930, and subsequently, by The Hague Agreement of January 20, 1930, to the date of its ratification by Germany. Under both the extensions, however, the condition that the credit extended should be "consonant with maintaining the rights of the creditor Powers" was omitted and the Agent General was instructed unconditionally to extend credit to the Treasury of the Reich. In virtue of these provisions the Agent General made available to the Treasury of the Reich, by way of loans, the growing difference between Germany's payments under the Dawes Plan and the amounts provided in the new Plan. By March 31, 1930, the amount of these loans aggregated 361 million reichsmarks. Since the German ratification was completed with the deposit of the formal papers in Paris on March 26, 1930, the German Government has been paying on the basis of the Annuities due under the new Plan, and the credit extended by the Agent General was liquidated on the coming into force of the Young Plan on May 17, 1930.

On March 31, 1930, in other words, when the financial year 1929-30 came to an end, accommodation was being given to the Treasury of the Reich out of the difference between the Dawes Plan and the new Plan to a total amount of 361 million reichsmarks, all of which was reflected in the floating debt in the form of Treasury certificates. The total credits of all kinds available to the Treasury on March 31, 1930, are shown in the statement of the floating debt which is given in detail on page 199, in the chapter on the public debt. These figures are summarized in the table on page 165, which also gives comparative figures for the preceding month-ends during 1929-30.

The Chancellor had stated, in his speech of December 12, 1929, that the Treasury requirements over the end of December would be at their peak and that when these had been covered "the most severe tension of the Treasury will then have been overcome". With the surmounting of the December requirements, however, the Government still had to face the urgent problem of putting its Treasury position in order, so as to give both the public finances and the

Floating debt and other short-term credits of the Reich not included in the budgetary accounts (In millions of reichsmarks)	Floating debt			Other credits		Total
	Treasury bills discountable at Reichsbank	Treasury certificates not discountable at Reichsbank	Short-term loans	Administrative credit at Reichsbank ¹	Special advances	
March 31, 1929.....	383	200	353	Information not available		
April 30, 1929.....	377	353	220			
May 31, 1929.....	332	578	258	4	90 ²	1,262
June 30, 1929.....	400	495	277	90	30 ²	1,292
July 31, 1929.....	338	300	454	—	—	1,092
August 31, 1929.....	356	380	327	31	—	1,094
September 30, 1929.....	400	430	283	81	—	1,194
October 31, 1929.....	376	484	268	52	—	1,180
November 30, 1929.....	400	467	344	69	—	1,280
December 31, 1929.....	375	953	327	—	—	1,655
January 31, 1930.....	391	999	254	44	—	1,688
February 28, 1930.....	380	1,063	248	6	—	1,697
March 31, 1930.....	400	1,216	233	50	135 ³	2,034

¹ Included in floating debt as from October 31, 1929.

² From Reichspost and Railway Company.

³ From Bank for Industrial Debentures.

economy as a whole the needed relief from the constant threat of a Treasury emergency. It was evident that the cash requirements of the Reich would remain large for some months to come, particularly because of the additional advances that would have to be made to meet deficiencies in the unemployment insurance fund. In fact these advances proved to be even larger than had been anticipated, and during the last quarter of the year, as indicated in the foregoing table, the cash requirements of the Reich increased by about 380 millions as compared with the end of December. In part the increase was covered by the 145 millions of additional advances made by the Agent General, representing largely the difference for this period between the Dawes Plan payments and the amounts provided under the new Plan, while the balance was covered partly by the advance of 135 millions by the Bank for Industrial Debentures and partly by successive issues of one-year Treasury certificates to an aggregate nominal amount of 125 millions. The statement on page 166, which is adapted from the published returns of the Ministry of Finance, indicates the funds available to the Treasury and their utilization on May 31, 1929, the first date for which such statements are available, and on March 31, 1930.

Under the terms of the banking credit arranged through the Reich loan syndicate at the end of December, the Reich had the use of the entire credit of 350 millions up to April 15, 1930, when, monthly repayments began at the rate of 50 millions per month. This credit, it will be recalled, is to be finally discharged on October 15, 1930, through the amortization fund of 450 millions under the law of December 24, 1929, and the necessary provisions to this end have been made in the draft budget for 1930-31, which in addition provides a further 65 millions for this purpose in view of the anticipated additional deficit carried over from the ordinary

Cash position of the Reich (In millions of reichsmarks)	May 31, 1929	March 31, 1930
AVAILABLE FUNDS		
From budgetary sources		
Ordinary budget		
Cash in hand brought forward from 1928-29 ..	46	— ³
Surplus on transactions since April 1, 1929 ...	123	—
	169	—
From the floating debt		
Treasury bills discountable at Reichsbank ...	332	400
Treasury certificates not discountable at Reichsbank	578	1,216
Short-term loans	258	233
	1,168	1,849
From other sources		
Administrative credit at Reichsbank ²	4	50
Special advance from Railway Company on preference share dividend due to Reich	50	—
Special advance from Reichspost on surplus due to Reich	40	—
Special advance from Bank for Industrial Debentures on semi-annual instalment of the service of the industrial debentures	—	135
	94	185
Totals	1,431	2,034
UTILIZATION OF FUNDS		
For budgetary purposes		
Ordinary budget		
Cash in hand brought forward from 1928-29...	—	46
Deficit on transactions since April 1, 1929	—	742
Net deficit	—	696
Extraordinary budget		
Deficit brought forward from 1928-29	905	905
Surplus (+) or deficit (—) on transactions since April 1, 1929	— 39	+ 146
Net deficit ¹	944	758
For payments not yet entered in the budget accounts		
Salaries and pensions for succeeding month, advances and end-of-month requirements	405	496
Loan to Preussenkasse	50	50
Cash balance in hands of central and local cash offices	31	34
	486	580
Totals¹	1,431	2,034
¹ Differences due to rounding off.		
² Included in floating debt as from October 31, 1929.		
³ See below, under utilization of funds.		

budget for 1929-30. With the coming into force of the Young Plan other important changes have taken place, in the direction of clearing up the cash position and reducing the floating debt. The savings as compared with the original budget appropriations on the basis of the Dawes Plan, for the period from September 1, 1929, to March 31, 1930, have become available, represented in part by

the adjustments between the German Government and the Agent General under the provisions of The Hague Agreements governing the Transition Period, to the amount of about 361 millions carried in Treasury certificates, and also by the adjustments between the Government and the Railway Company on account of the contribution of the Company to the Annuity during the Transition Period, which should result in a transfer of about 60 millions to the Government. The Government also has incorporated in the 1929-30 budgetary revenues of the Reich, through the supplementary budget, the instalment of 150 millions from the service of the industrial debentures, which would have become payable under the Dawes Plan on April 1, 1930, in respect of which 135 millions are included in the statement of the cash position on March 31, 1930. Furthermore, with the final adoption of the Young Plan, the German Government has the disposition over a number of important special funds, including the reserve fund of 100 million gold marks accumulated out of the extraordinary budget for the Commissioner of Controlled Revenues, about 75 millions of which were invested in Treasury bills of the Reich; the reserve fund of the Bank for German Industrial Debentures, amounting to about 120 millions, accumulated during the period of the Dawes Plan out of the contributions of concerns subject to the industrial charge; and the reserve funds hitherto maintained for the benefit of the British and French Reparation Recovery Acts, which will no longer be required under the modified system of administration embodied in The Hague Agreement of January 20, 1930. Against these funds must, of course, be reckoned the non-interest-bearing deposit which the German Government has agreed to make in the Bank for International Settlements, and in respect of which an amount of 65 millions is included in the draft budget for 1930-31.

Altogether, after taking into account direct savings for the current financial year and the net funds that revert to the Reich, it appears that the resources which became available upon the coming into force of the Young Plan will go far to clear up the cash position and to reduce the floating debt. In addition, there are the proceeds of the 50-year loan already referred to which have been discounted by a syndicate of German and foreign banks so as to make available to the Reich, according to the statement of the Finance Minister to the budget committee of the Reichstag on April 8, 1930, 180 millions in April, 1930, and 280 millions in June, 1930. These sums, according to the Finance Minister, are to be applied to the consolidation of the floating debt, including particularly the banking credit of 210 millions which was taken up in June, 1929, and falls due in June, 1930, and the banking credit of 200 millions which was taken up in February, 1929, of which 100 millions fall due in July, 1930, and two further instalments of 50 millions in November and December, 1930, respectively. Furthermore, the Treasury appears to be taking advantage of the relatively easy conditions ruling at present in the money market to continue the issue of one-year Treasury certificates and in April a further tranche was offered, the proceeds of which have not yet been announced.

In addition to the 460 millions from the loan referred to above and to the retirement, when the Young Plan came into force, of

361 millions of Treasury certificates held by the Agent General, the draft budget of 1930-31 appropriates 515 millions for the reduction of floating debt. Through these three measures a reduction of some 1,335 millions in the floating debt during 1930-31 appears to be in prospect, and if the programme is carried out the severe strain on the cash position which overshadowed the public finances of the Reich during 1929-30 should come to an end. To assure permanent improvement in the cash position, however, it remains essential that the current expenditures of the Reich, whether carried in the ordinary or the extraordinary budgets, should be kept safely within the limits of its available income.

8. Budgetary Practice and Accounts.

The object of budgetary statements and accounts is to show clearly and currently the financial position of the Government, not merely for the guidance of the public authorities but also for the information of the general public. During the past five years many improvements have been made in the budgetary statements of the Reich, and the practice has been introduced, as stated in the Report of December, 1928, of accompanying the budget with a general survey which is intended to give a connected picture of the financial position. Some progress has also been made, as explained in previous Reports, in the publication of more complete financial statistics, not merely by the Reich but also by the States and communes. Unfortunately, however, many of the published statements are of purely historical interest, and as a whole they still fail to give a sufficiently complete picture of the current position. Unsound financial tendencies are not discovered in time for the necessary remedies, and public expenditures lack the check which would come from an informed public opinion.

The other great defect is the unnecessary complication of budgetary presentation, which arises primarily from the German practice of separating the ordinary and extraordinary budgets, and of making transfers between these budgets and also from the budgets of previous years. This system of transfers within budgets and between budgets, coupled with the practice of including mere authorizations to borrow in the revenue estimates, is ideally calculated to obscure the real position, and there is no doubt that it has been responsible in considerable measure for the persistent growth of public expenditures beyond the limits of the resources actually available. The general survey which accompanied the budget of 1929-30 stated, in so many words, that "for some time past the general public has been in some uncertainty as to whether the financial years since the stabilization have really produced surpluses or deficits". A brief comparison of the budget estimates, as indicated in the table on page 169, with the actual revenues and expenditures of the past few years shows the force of this statement. In 1928-29, for example, when actual expenditures reached the unprecedented total of 10,888 million reichsmarks, as against actual revenues of 9,651 millions, the combined budget estimates presented to Parliament and to the public, even after including the supplementary budget, showed

total expenditures of only 9,736 millions, as against total revenues of 9,548 millions. But the budget estimates as presented entirely failed to take into account 939 millions of expenditure authorizations and 884 millions of so-called revenue estimates brought forward from 1927-28. The effect was to give a false picture of the budgetary situation, because the transferred expenditure authorizations were concrete and were in fact reflected to a large extent in actual expenditures during 1928-29, whereas the transferred revenue estimates were largely illusory, since they included, for the extraordinary budget, 724 millions of authorizations to borrow, from which only 101 millions were actually realized in 1928-29. These authorizations to borrow were intended to cover not only the expenditures of this budget authorized in 1928-29, but also the extraordinary budget deficit of 465 millions transferred from 1927-28. This deficit had in the meantime been met out of that part of the surplus of the ordinary budget amounting to 520 millions, earmarked as additional cover to meet commitments brought forward from 1928-29. On paper the budget of 1928-29 as presented had been made to appear in balance, and for most of the year, while the expenditures were being made, there was little understanding of the true position. Some months after the close of the year, toward the end of June, 1929, when the final accounts were presented, a current deficit of 1,237 millions and a net cumulative deficit of 859 millions appeared in the budget accounts, even after including the proceeds of loans and transfers of surplus from previous years, and notwithstanding unexpectedly large revenue returns throughout the year.

Consolidated budget statement of the Reich (In millions of reichsmarks)	1926-27		1927-28		1928-29	
	original esti- mates	actual results	original esti- mates	actual results	original esti- mates	actual results
<i>Current revenues</i>						
Tax revenues	6,465	7,175	7,750	8,490	8,862	9,025
Administrative revenues	502	515	524	471	651	626
Total revenues ¹	6,968	7,690	8,274	8,961	9,513	9,651
<i>Current expenditures</i>						
Tax transfers to States and communes	2,387	2,626	2,893	3,016	3,218	3,413
General administration	2,058	2,156	2,108	2,296	2,280	2,401
Service of the public debt	365	421	489	512	476	502
Charges arising out of the war						
Execution of Dawes Plan	600	550	899	899	1,247	1,220
Internal charges ²	1,444	1,496	1,497	1,560	1,628	1,915
Social expenditures	610	811	1,009	766	668	1,101
Investments, loans, etc.	166	483	236	267	185	334
Total expenditures ¹	7,629	8,543	9,130	9,316	9,701	10,888
Current deficit ¹	662	853	856	355	188	1,237

¹ Differences due to rounding off.

² Including war pensions, partly estimated.

The remedy is to be found in the simplification of budgetary practice and accounts, which could most effectively be done through the consolidation of all budgetary items into one budget, as nearly as possible on a cash basis. The experience of the past few years has already indicated sufficiently the dangers of maintaining the extraordinary budget as a separate budget, partly because of the tendency to use it as a device for concealing budget deficits and also because of the opportunity it gives for transferring items back and forth between the ordinary and extraordinary budgets, in such a way as to make it practically impossible to compare one financial year with another. The system of transferring expenditure authorizations and revenue estimates from one year to another is also a fruitful source of confusion, particularly when applied to the extraordinary budget where the revenue estimates have consisted almost entirely of authorizations to borrow. The omission of these transferred items from the budget estimates as presented to the Parliament obscures the whole position, and deprives the budget of much of its meaning. The manifest answer is to include them in the estimates as presented to Parliament, to the extent that they are expected to result in actual revenues and expenditures.

In addition to the essential simplification of budgetary practice, a most helpful change would be the regular publication, on a cash basis, of the financial statements usually published by Governments. The statements now published are still far from complete, and they show a constant confusion between the budgetary position and the cash position, which makes it difficult at any given time to determine whether the problem is one of budgetary deficits or of normal Treasury financing. The monthly statement of the cash position itself is not on a cash basis, and it is of relatively little value except as a summary of the principal categories of Treasury assets and liabilities at the month-end. What is needed now is to put all the financial statements on a cash basis, and to publish at stated intervals, preferably once each week rather than once each month, a complete statement of the resources of the Treasury, showing the disposition of cash balances, and a complete statement of Government receipts and expenditures, whether ordinary or extraordinary or for the issue and redemption of the public debt. These statements could be supplemented once each month with a summary of the debt transactions of the month and a full statement of the funded and floating debt at the end of the month. The regular publication of statements of this kind would give a clear picture of the current financial position, and would greatly help to protect the Treasury against the development of new deficits.

b. The Budget of the Reichspost.

The budget of the Reich has been able during the past few years to draw heavily on the Reichspost for transfers of surplus. Owing to the importance of these transfers as an element in the administrative revenues of the Reich, the finances of the Reichspost are

a matter of concern from the standpoint of the budget of the Reich, and accordingly the budget of the Reichspost is briefly analyzed in this as in previous Reports.

The accounts of the Reichspost for the year 1928-29, which have become available since the last Report, give evidence of continued growth in both receipts and payments. Most of the increase in receipts is attributable to the higher tariffs which became effective August 1, 1927, and which were in force throughout the whole of 1928-29. The increased expenditures in 1928-29 appear to have resulted in part from increased outlay on working improvements, but mainly from increased personnel charges, due to the fact that the higher salaries and pensions which became effective October 1, 1927, applied throughout the whole of 1928-29, whereas in 1927-28 they applied only to the last six months.

Receipts and payments of the Reichspost (In millions of reichsmarks)	1924-25 actual	1925-26 actual	1926-27 actual	1927-28 actual	1928-29 actual
RESULTS OF OPERATIONS					
Receipts	1,664	1,725	1,715	2,055	2,190
Expenditures	1,129	1,392	1,437	1,619	1,774
Gross profit ¹ ...	535	332	278	436	416
DEDUCTIONS FROM GROSS PROFIT					
Depreciation	108	147	160	177	178 ²
Set aside for reserve funds	173	22	—	—	—
Interest and discount	—	—	Cr. 8	5	2
Total deductions...	281	169	152	182	180
Net surplus ¹ ...	254	163	126	253	236
DISPOSITION OF SURPLUS					
Transferred to Reich	—	12	70	70	120
Transferred to capital account	187	218	56	183	116
Carried forward to next year	67	—	—	—	—
Totals...	254	230 ²	126	253	236
¹ Differences due to rounding off.					
² Including 67 millions brought forward from preceding year.					
³ Net amount after adjustment of 3 millions in value of assets.					

The results of the five financial years since the reorganization of the Reichspost, beginning with 1924-25, are summarized in the foregoing table. The outstanding development of the period is the steady growth of both receipts and expenditures, with the greatly increased transfers from surplus to the budget of the Reich. These transfers, though included in the Reichspost accounts of the year, were formerly postponed until the end of the year and appeared in the Reich budget accounts only in the succeeding year. But beginning

with 1928-29, as explained in the last Report, transfers from the year's surplus have been made at intervals during the year, and in 1928-29, besides the 70 millions due in respect of 1927-28, the Reich was able to include in its final accounts 80 millions out of the 120 millions appropriated for 1928-29, which under the old practice would not have been included until 1929-30. At the close of 1928-29, a balance of 40 millions remained to be transferred to the Reich out of the surplus shown in the Reichspost accounts, of which 20 millions represented the supplementary appropriation for 1928-29 voted by the Managing Board of the Reichspost after the end of the financial year, and 20 millions were from the original appropriation. The amount appropriated for transfer to the Reich out of the 1929-30 surplus was 152 millions, so that the total to be transferred by the Reichspost to the Reich in 1929-30, including the balance left over from 1928-29, aggregated 192 millions, as indicated in the statement of administrative and other revenues of the Reich on page 112. Of the amount to be transferred from the 1929-30 surplus and the supplementary surplus for 1928-29 taken together, the Managing Board of the Reichspost designated 35 millions as an emergency transfer in aid of the Reich.

In each of the five years substantial amounts have also been transferred to capital account, which at the end of 1928-29 stood at 2,334 millions, as compared with 1,574 millions at the beginning of the period. No loans were issued to the public in 1928-29, and the 224 millions of authorizations to borrow, which were granted during the three years 1926-27 to 1928-29, still remained unused. In the meantime capital expenditures which could not be covered out of current earnings seem to have been financed by advances from the postal check service, which were reported at the end of 1928-29 to have amounted to 116 millions. No later figures are available, but it has been announced that in order to avoid drawing too largely on the funds of the postal check service, the Managing Board of the Reichspost, at its meeting of December 10, 1929, voted to approve the proposal of the Executive Committee that a long-term loan should be issued as soon as practicable, in agreement with the Finance Minister of the Reich and the President of the Reichsbank. No definite plans for this loan have been announced, but apparently the Reichspost will participate to the extent of 160 million reichsmarks in the one-third share reserved to the German Government in the loan which is to be issued under the "Arrangement as to the Financial Mobilisation of the German Annuities", annexed to the Final Act of The Hague Conference, dated January 20, 1930.

In the first nine months of 1929-30 the cash receipts of the Reichspost are reported to have increased about 4 per cent over those of the corresponding period in the previous year, but at the same time payments increased 10 per cent, and the first nine months show a cash deficit of 36 millions as compared with a cash surplus of 67 millions in the same period last year. In the absence of the necessary details, however, it is not clear to what extent the increased pay-

ments were due to operating expenditures, to expenditures on capital account, or to transfers to the Reich out of surplus.

According to test counts made by the Reichspost authorities, postal, parcel and telegraph traffic in the first nine months of 1929-30 appeared on the whole to be below the level of 1928-29, but all other branches, especially telephone traffic, were appreciably higher. The increase in these branches, however, fell short of the increase in 1928-29, and the Minister of Posts stated to the Managing Board of the Reichspost on March 6, 1930, that, in consequence, the aggregate receipts would probably fall short of the estimates.

The postal check service continued to grow during the year, though the rate of progress was somewhat less than in previous years. Deposits, after having been consistently higher than in 1928-29, showed a slight falling off in the December quarter and on December 31, 1929, were 689 million reichsmarks, as compared with 708 millions at the end of 1928 and 657 millions at the end of 1927.

c. The Budgets of the States and Communes.

The finances of the States and communes, like those of the Reich, have been in difficulties during most of the past year, and for much the same reasons. Their revenues have greatly increased during the period of the Dawes Plan, both in the form of transfers from the Reich and in their own tax collections; but, generally speaking, the States and communes have been following the practice of making expenditures, year after year, in excess of their available resources, and in some cases the pressure of accumulated deficits has recently become severe enough to bring measures of financial reform into active consideration.

The budgetary difficulties of the States and communes have been gathering for the past three years and more, and it has long been recognized that they have their origin in the failure to keep State and municipal expenditures within proper limits. The Government of the Reich, as long ago as October 7, 1927, pointed out, in its announcement with regard to the foreign borrowings of the States and communes, that "in view of the entire present situation in Germany any expenditure that is not urgent or economic, whether made out of foreign loans or from other sources, must be avoided". The Agent General's Memorandum of October 20, 1927, to the German Government called special attention to the same problem, and urged that the Reich should exert its full leadership in the direction of keeping expenditures of the States and communes within the limits of their available resources. The Memorandum emphasized, in the following terms, that this was the only solution which would go to the root of the problem:

"The question underlying State and communal borrowing is not whether individual loans should be placed in the domestic market or in the foreign market, or at short or long term, but whether they should be placed at all. To divert the borrowing of the States and communes from one market to the other, or to refuse it in one form and permit it in another, does not go

to the root of the difficulty. Over-borrowing at home or abroad proceeds from the same source, namely rising public expenditures, and it is by reducing expenditures to the minimum that relief is to be found. On the other hand, balanced budgets and economical administration will give the best assurance that when credit is needed for essential public purposes it will be forthcoming.

"It is recognized, of course, that the Reich does not control the States and communes in these matters. But, when the States and communes go into foreign markets to finance their budgetary expenditures and internal improvements, they raise fundamental questions of foreign policy which have the most direct interest for the Reich. And under the Constitution itself the Reich has a unique opportunity and even responsibility for leadership, not merely because of its large transfers of revenue to the States and communes but also because of its powers to prescribe the fundamental principles and main outlines of their laws in many matters of taxation and public finance. The force of these considerations has been recognized to some extent in the efforts that have been made for the past two years and more to supervise the foreign borrowings of the States and communes through an advisory organization established for this special purpose. These efforts, for whatever reason, have not been successful, and the results appear in the swollen figures for State and communal borrowings that have already been given. A new and truly effective supervision, based primarily on the principle of controlling public expenditures, is urgently needed at this time, both in the interests of German credit and to safeguard Germany's economic recovery against the dangers of over-stimulation and subsequent reaction as a result of over-spending and over-borrowing by the public authorities."

The Government of the Reich stated, in its answering memorandum, that it was "devoting its greatest attention to the development of the financial affairs of the States and communes". In practice, however, little has been done during the intervening period but to restrict, through the *Beratungsstelle*, the issue of long-term public loans abroad, and instead of showing leadership the Reich itself has set an unfortunate example to the States and communes by constantly permitting its own expenditures to run beyond the limits of the available resources. The States and communes themselves, instead of putting some check on their expenditures, have allowed them to rise far beyond the high levels already prevailing in 1927, and in many cases far beyond the resources available to them from taxation and long-term borrowing. Altogether, the result has been the growth of a great volume of short-term indebtedness which put an increasing strain on the capacity of the domestic credit market, culminating in the acute difficulties which developed in December, 1929, in connection with meeting the year-end requirements of the Reich and some of the communes.

The importance of the budgets of the States and communes in the public finances of Germany as a whole is indicated by the fact that these two groups of public authorities together dispose of considerably more than one-half of the total tax revenues of Germany. Moreover, as their finances are closely interwoven with those of the Reich, an analysis of the budgetary position of the Reich necessarily involves an examination of the budgets of the States and communes. The development of their budgets during the successive years of the Dawes Plan has accordingly been traced in previous Reports to the extent that the official information permitted, and it has been observed, as a general proposition, that notwithstanding the large year-to-year increase in transfers from the Reich and in other available resources the States in recent years have been steadily budgeting for deficits and that for some years past both the States and the communes have been spending more than their current resources permitted. In the financial year 1929-30 the budgets of most of the States again showed appreciable deficits, while the finances of some of the communes, including Berlin, reached such a state of tension that it became necessary to resort to emergency measures. The finances of the State of Prussia, on the other hand, present a relatively better picture, since on the whole Prussia appears to have succeeded in keeping its budgetary deficits within manageable limits and in avoiding too great a burden of short-term indebtedness.

The submission of the 1930-31 budgets of many of the States has been delayed, awaiting the terms of the financial settlement for 1930-31 between the Reich and the States and communes. The draft budgets of Prussia, Saxony, Wurtemberg, and some of the smaller States were first presented, moreover, on the basis of a continuance of the arrangements hitherto in force, and these drafts now have to be modified to take account of the changes in the financial settlement which have been introduced since their submission. In the case of Bavaria, the Finance Minister stated in the Diet on February 19, 1930, that the budget estimates for 1930-31 could not be submitted without further information regarding the financial relations of the States with the Reich, and it was not until May 6, 1930, that the draft budget for the year was actually presented. Only in the case of Baden and three of the smaller States does the 1930-31 budget appear as yet to have been definitely voted.

1. The Budgets of the States.

The Reich Commissioner of Economies has been called upon in recent years by several of the States which have developed budgetary difficulties to report to them upon their public finances and to advise them upon measures of economy. He has already examined the finances of Wurtemberg, Hesse, Thuringia and Mecklenburg-Schwerin, and, according to the published extracts, his reports generally recommend reductions of expenditure and rationalization of the administration as essential conditions of an improvement of the public finances of these States. In the case of Wurtemberg, that part of the report which has thus far been published lays emphasis

on the excessive number of administrative and judicial offices and proposes that they should be radically reduced. In the case of Hesse, the report also proposes a reduction in the number of local administrative bodies, rationalization of the administration, and a larger contribution by the communes to State expenditures, particularly for schools, police and hospitals. The Commissioner expresses the view that the budget of Hesse can be brought into balance if a comprehensive administrative reform is adopted. In Thuringia, the Commissioner has recommended the amalgamation of local administrative authorities and a reduction of expenditures and of officials, particularly those in the forestry and school services. The Commissioner considers it urgent that both the floating debt and the expenditures of the extraordinary budget should be reduced. In the case of Mecklenburg-Schwerin, the Commissioner is of opinion that the tax revenues cannot be further increased and that in order to bring the budget into balance a reduction of 15 per cent in the expenditures will be necessary.

The Report of December 22, 1928, gave detailed figures for the budgets of the principal States, with a summary of the budget estimates for 1928-29. Since then the provisional results of the year 1928-29 for some of the States have become available through published reports of official statements. The Prussian Finance Minister on November 25, 1929, informed the main committee of the Staatsrat that the ordinary budget for 1928-29 had closed with a surplus of less than one million reichsmarks; this equilibrium appears to have been attained, however, only as a result of the transfer of 40 millions from the special working fund as authorized in the budget. The tax transfers from the Reich, the Minister said, had exceeded the estimates by 67 millions, the State taxes had exceeded the estimates by 20 millions and the administrative and other revenues by 25 millions. The excess revenues, however, were only slightly more than sufficient to cover the excess of actual net expenditures over the budget estimates. This excess amounted to 111 millions, due in part to under-estimation of the extent of the general increase in salaries and pensions which became effective October 1, 1927. Exceptional capital expenditures, which are not included in the Prussian budget estimates, amounted to 169 millions, and the loan and other extraordinary revenues by which these expenditures were covered aggregated 209 millions during the year. The resulting surplus of 40 millions on capital account fell short by 24 millions of covering 64 millions of capital expenditures effected without cover in 1927-28 and carried over to 1928-29.

For the other States, no such precise information as to the results in 1928-29 has thus far become available, but published reports of official statements indicate that so far as the ordinary budget was concerned, Bavaria closed the year with a deficit of 27 millions. Thuringia with a deficit of 12 millions, Hesse with a deficit of 6 millions, Anhalt with a surplus of 1 million, Hamburg with a surplus of 4.5 millions, and Oldenburg in balance. As regards Saxony, the Finance Minister stated that the ordinary budget closed with a deficit of about 1 million, "a result which may be regarded as very favorable if it is recalled that the budget esti-

mates of 1928-29 anticipated a deficit of about 25.5 millions". The results of the extraordinary budgets, on the other hand, are not yet covered by any definite published figures.

For 1929-30, in the case of Prussia, the statement of receipts and expenditures for March, 1930, indicates that the final accounts of the ordinary budget will not show any considerable deficit. Detailed figures, however, are not yet available. In the case of Bavaria, the Finance Minister stated on May 6, 1930, that the ordinary budget will close with a deficit of nearly 30 millions, as compared with an estimated deficit of 44 millions. For the other States no official estimates of the probable results of the year appear to have been published up to this time, but, according to the monthly statements of revenues and expenditures from April 1, 1929, to March 31, 1930, Saxony showed a deficit of 21 millions in the ordinary budget, and Wurttemberg a deficit of 4 millions. It must be remembered, however, that these figures do not represent the final results of the year, and that many adjustments will probably be made in both revenues and expenditures before the closing of the accounts.

The figures for the tax revenues of the States and Hanseatic cities in the first nine months of 1929-30 have been published by the Statistical Office of the Reich and are summarized in the following table. The figures for the year as a whole have not yet been published, but it appears that in the first nine months the revenues amounted to about 178 millions less than in the corresponding period of the previous year.

Tax revenues of the States and Hanseatic cities (In millions of reichsmarks)	States		Hanseatic cities		Totals ¹	
	First nine months		First nine months		First nine months	
	1928-29	1929-30	1928-29	1929-30	1928-29	1929-30
TAX REVENUES AVAILABLE						
Tax collections ²	1,417	1,384	155	155	1,571	1,539
Tax transfers from Reich ³	2,477	2,324	125	133	2,602	2,456
Totals ¹	3,894	3,708	279	287	4,173	3,995
DISPOSITION OF TAX REVENUES						
Transferred to com- munes	1,664	1,564	7	7	1,671	1,571
Retained by States and Hanseatic cities . . .	2,230	2,144	272	281	2,503	2,425
Totals ¹	3,894	3,708	279	287	4,173	3,995

¹ Differences due to rounding off.

² The 1928-29 figures include the Reich tax on real estate transactions. Excluding this tax, the total collections aggregated 1,547 millions.

³ The 1928-29 figures exclude the transfers from the Reich tax on real estate transactions. Including this tax, the total transfers aggregated 2,627 millions.

Besides the information summarized in the table there are also available the monthly statements of the receipts and payments of the States and Hanseatic cities which, in conformity with the decree of June 23, 1928, are now appearing in their official publications.

In view of the divergence in budgetary and accounting practices, and the differences in the functions performed by the various States and Hanseatic cities, the figures thus far available are not susceptible of presentation in anything like a consolidated statement. In general, however, it appears that the expenditures in both ordinary and extraordinary budgets have been running appreciably in excess of the receipts.

For 1930-31, the following details are available in respect of those States which have submitted their budgets. The Prussian Finance Minister, speaking before the Diet on December 10, 1929, stated that the budget, even after reductions had been made in new construction and in the special funds at the disposal of the departments, would show increased net requirements of 49 millions, and an estimated decline of 39 millions in receipts, thus indicating a deficit of 88 millions. "The draft budget before us," the Minister said, "has been brought superficially into balance by entering in the accounts 88 millions of additional transfers from the Reich." This entry, in reality, represented an estimated deficit, as the Minister himself recognized, since there was then no basis for any estimate of additional transfers from the Reich; the Reich budget for 1930-31 has since been voted by the Reichsrat and presented to the Reichstag but the increase of about 100 millions in the total transfers to the States and communes which it proposes will not be sufficient to give Prussia the extra 88 millions which its draft budget anticipates from this source. The deficit is subsequently reported to have increased to 117 millions, and since only a small part will be covered by Prussia's share in the increased tax transfers from the Reich, proposals to meet the balance by means of an increase in the State taxes on real estate are now contemplated by the Government parties in the Diet.

The Finance Minister of Bavaria presented the 1930-31 draft budget to the Diet on May 6, 1930. The ordinary budget shows a deficit of 22 millions which the Minister proposes to cover mainly by the introduction of new taxes and dues and partly by reductions in expenditure.

The draft budget of Wurtemberg for 1930-31, which was published on January 4, 1930, appears to have been drawn up for the most part on the same basis as the budget of 1929-30, and it contemplates a deficit of about 10 million reichsmarks. In the case of Baden, the draft budget as first submitted showed a deficit of 20 millions, but when finally voted on April 16, 1930, it had been brought into balance, partly by means of increased taxation, partly by reductions in the authorizations of expenditure, and partly by including among the estimated receipts the balance claimed from the Reich as indemnity for the railways ceded by Baden to the Reich. Similarly, the 1930-31 budgets of Lübeck, Mecklenburg-Schwerin and Mecklenburg-Strelitz have been voted during March, 1930, after having been brought into balance mainly by reductions in the estimates of expenditure. The budgets of most of the other States have not yet been voted, but the following indications

regarding them are available from the published reports: The draft budget for Brunswick, which was published on January 8, 1930, showed a deficit of 4 millions in the ordinary budget, but the Finance Minister stated that the figures were only provisional, pending the development of the Reich programme of financial reform. The draft budget for Thuringia, in its original form, showed an estimated deficit of 21 millions, but when the Finance Minister presented the budget to the Diet, on April 8, 1930, he stated that the deficit had been reduced to 7 millions and would be covered by increased taxes. Similarly the estimated deficit in the case of Hesse, which was originally included at 18 millions, was subsequently reduced to 7 millions. The draft budget of Hamburg was presented on March 8, 1930, showing a deficit in the ordinary budget of 16 millions. The draft budget for Saxony was submitted to the Diet on March 6, 1930, with the ordinary budget in apparent balance. The budgets of several of the smaller States have also been presented and are either in balance as in the case of Anhalt, or show small deficits as in the case of Oldenburg and Schaumburg-Lippe. It is probable, however, that the various budgets which are still under discussion will be considerably modified before their final adoption, on both the revenue and the expenditure sides.

The Reich budget for 1930-31, which has been voted by the Reichsrat and is now pending before the Reichstag, outlines the provisions of the proposed financial settlement between the Reich and the States and communes for the current financial year. These proposals have already been discussed in the sections relating to the budget of the Reich, and their effect, it will be recalled, would be a net increase of about 100 millions in the tax transfers to the States and communes as compared with 1929-30.

2. The Budgets of the Communes.

During all of the past year the finances of the communes have been under the pressure of their uncovered budgetary deficits, in large part carried over from previous years and reflected in increasingly unmanageable floating debts. This pressure has led, within recent months, to a number of constructive developments, including, first, the curtailment of many new capital expenditures, second, a general effort to put short-term indebtedness in manageable form, partly through special repayments and partly by consolidation, and, third, the imposition in many cases of substantially increased rates, not merely for local taxation but also for the various public services supplied by the communes, including gas, electricity, and transportation. These increases in rates are unfortunate in themselves, and they put a heavy burden on great masses of the population. But they are the inevitable result of the over-spending and over-borrowing of the communes during recent years, and the fact that they are now being imposed is to be welcomed as evidence of a growing determination to reorganize the finances of the communes and put them back again on a sound basis. The swollen floating debts of the communes are still putting a severe strain on the capital market and it will take a considerable

period of repayment and refunding before the funds now locked up in these debts can be released for productive business and industry.

Official statistics of the revenues and expenditures of the communes as a whole are not available beyond the end of 1927-28, but the general position is sufficiently indicated by the steady rise in their floating debts and by the financial difficulties in which individual communes, including the city of Berlin, have found themselves during the past year.

From the official figures given in the next chapter it appears that of the total floating debt of all the public authorities in Germany on March 31, 1928, excluding that of public undertakings operating in the form of private companies, about two-thirds, or over 1,500 million reichsmarks, were attributable to the communes. From such later figures as are available it appears that the floating debts of communes with more than 10,000 inhabitants increased from 1,293 millions on March 31, 1928, to 2,350 millions on September 30, 1929, while in the succeeding three months communes with 100,000 inhabitants or more further increased their floating debt by about 160 millions. This increasing volume of debt has pressed more and more heavily on the credit market and on domestic credit institutions, particularly the communal savings banks and their central associations. At the end of December, 1929, the pressure was at its highest but since then the tension has been relieved to some extent, partly by the gradual easing of money conditions and partly by the measures of reorganization which have been in process.

Generally speaking, the large floating debts of the communes have had their origin, first, in the making of current expenditures beyond the limits of their available resources, and, second, in their efforts to cover capital expenditures by means of short credits, instead of taking seasonable steps to curtail them when it became apparent that their programmes for public improvements far exceeded their ability to finance them at long term, either at home or abroad. A third source of difficulty, which appears to have grown materially in recent years, arises from the large payments made by the communes for their share of emergency unemployment relief and also for welfare relief. The latter consist of payments to indigent persons who are not in receipt of unemployment insurance benefits, or whose income from these sources is insufficient for their needs. These expenditures have been putting a very heavy burden on the finances of the communes, particularly during the past year, and the reason, of course, is to be found primarily in the high level of unemployment which has prevailed, but also in the failure to deal with the problem in relation to the general problem of unemployment relief. No official figures are available for the communes as a whole, but, according to the statistics collected by the German Municipal Association, communes with more than 25,000 inhabitants were providing welfare relief at the end of February, 1930, for about 290,000 unemployed who were not entitled to benefits under the insurance law, while a further

92,000 unemployed were receiving communal relief as a supplement to their insurance benefits. The number of such cases is stated to have increased in recent years still more rapidly than the number of unemployed covered by insurance, and the growth in welfare relief charges is reported by the Association to be a very large factor in the recent budgetary difficulties of the communes. Manifestly, this problem belongs to the general problem of unemployment relief, and it needs to be considered in connection with the system of unemployment insurance and the provisions for emergency relief.

By the autumn of 1929 the finances of the communes were under such pressure that many of them were finding difficulty in renewing their short-term debts and in meeting their current obligations. The result was to force the consideration of emergency measures of reform, to some extent by action of the communes themselves and also by some of the States in the exercise of their powers of supervision over the communes. The Government of the Reich also recognized the urgency of financial reform in its statement to the Government parties on December 9, 1929, which included proposals to strengthen "the control over the finances of the communes . . . by regulations with regard to the taking up of loans and credits, and by the introduction of obligatory auditing of communal accounts by some body independent of the communes", and the Chancellor of the Reich declared to the Reichstag on December 12, 1929, that the Government proposed to introduce "a flexible element into the communal taxation system in accordance with which all citizens will be called upon to share the communal burdens, with due consideration to social necessities", so as to heighten "the sense of responsibility of the communes in the voting of expenditure". Up to this time no measures have been taken to give effect to any of these proposals, though the Finance Minister, in his budget speech of May 2, 1930, indicated that these two proposals affecting the communes were still included in the Government's programme of financial reform and would form part of the legislative tasks of the next few months.

In some cases, however, the States have already initiated steps in the direction of reforming the finances of the communes, while the communes themselves through the German Municipal Association have formulated plans to bring about a consolidation of their debts and a curtailment of their expenditures. Early in November, 1929, the Association proposed to the communes that for a period of one year they should severely reduce their capital expenditures in order to prevent the incurring of further floating debt, and that they should devote their efforts to the consolidation of their existing floating debts as far as possible through the savings banks and their central associations, which, in turn, were asked to devote 50 per cent of the monthly increase in their deposits to purchasing long-term loans of the communes. The Chancellor stated to the Reichstag on December 12, 1929, that this programme had been formulated "with the support of the Government". It is understood from the published reports of the Association that the pro-

gramme has been put into actual execution in Prussia and that it is under consideration in Bavaria, Saxony, Thuringia and other parts of Germany.

The action taken by the State of Prussia, which is of special significance because of the large number and importance of the communes involved, was recorded in a circular letter issued on February 14, 1930, by the Prussian Ministers of the Interior and of Finance to the communal authorities. After referring to the programme for consolidating short-term indebtedness by the utilization of savings bank deposits, the letter stated that the following procedure had been adopted with a view to checking the further growth of short-term debt:

"In the hope of checking the growth of short-term debt, the communal associations are issuing an urgent appeal to their members to exercise the utmost self-restraint in the matter of expenditures in order to avoid the necessity for further borrowing at short term. Special communal credit committees are to be set up to put these precepts into practice and to watch over their execution. The credit committees—freely appointed by the communes in their own autonomous right—are to examine communal applications for credit and to express an opinion on them before they are submitted to the State authorities for approval. In this way the self-governing organization seeks to assist and advise the State authorities, and particularly to prevent the submission for approval of applications to which it does not give its urgent support

"The leading officials of the communes and associations of communes and the financial heads of departments must on their personal responsibility see that short-term loans are raised only when they have been approved as such; in particular they must see that short-term loans are not wrongly described as 'transitional' cash credits and borrowed as such and that payments for the account of short- or long-term loans are not made out of other resources unless permission to borrow has been given and the receipt of the loan proceeds is secured. The authorities approving loans may not take this responsibility from them. All attempts to obtain approval for a credit, which would not otherwise be approved, by the presentation of a *fait accompli* must be energetically resisted.

"Short-term debts and uncovered deficits from previous years which cannot be covered by consolidation operations set on foot by the leading communal associations, must be gradually paid off out of ordinary budget funds. The funds for the purpose must be supplied by the strictest economy in the matter of expenditures. Where this is not possible, an increase in revenues may not be rejected in principle, if the necessary liquidity cannot otherwise be obtained."

Official information is still lacking as to the progress thus far made in consolidating the floating debts of the communes, but it appears from the published reports of the German Municipal Asso-

ciation that the savings banks are endeavoring to cooperate to the best of their ability, subject to the demands made upon them from other sources and to the manifest limitations of any policy of organized investment of savings bank funds in communal securities. Among other things, of course, the consolidation programme of the Association implies the diversion of savings bank funds from real estate mortgages to communal bonds, and to this extent it may react adversely on the building trade. More recently, under the influence of easier credit conditions, there has been some improvement in the German market for new capital issues, and if not overloaded the market should be able to absorb in time an appreciable volume of intermediate and long-term communal loans, for purposes of consolidation. There have lately been several issues, mostly of from 3 to 5 years' maturity, while issues of communal bonds by the Giroverbände and related institutions have also shown some increase.

Efforts are also being made, under pressure of recent necessities, to put a check on municipal expenditure, and new capital expenditures in particular are being subjected to closer examination than at any time in the past few years. In many communes, however, the reductions thus far made or planned appear to have been insufficient to bring expenditures within the limits of available resources, and additional revenue has accordingly had to be provided by raising local taxes and public utility tariffs. The draft budget of Cologne, for example, according to the official figures published March 21, 1930, showed an indicated deficit of 12 millions for 1929-30, but the 1930-31 budget, voted April 16, 1930, is reported to have been brought into balance by increased taxes and higher tariffs for the public utilities. Munich estimates a deficit of 16 millions for 1929-30, and the draft budget for 1930-31 shows a deficit of 8 millions which it is proposed to cover by increased local tariffs. Frankfort-on-Main anticipates a deficit of 5 millions for 1929-30, but the 1930-31 budget, which was voted on April 2, 1930, is reported to have been balanced by increased rates of taxation. Dresden and Dortmund estimate deficits of 5 and 10 millions, respectively, for 1929-30, but no information is available as to their 1930-31 budgets. In other large communes, including Essen, Aix-la-Chapelle, Duisburg, Cassel, Münster and Altona, increased local taxes and rates have had to be voted, or are now proposed, in order to provide cover for the 1930-31 budgets. In Chemnitz, Düsseldorf and Wilhelmshaven, on the other hand, the draft budgets for 1930-31 have been rejected by the municipal assembly, and it is reported that they will have to be put into force by executive action of the administrative head of the district.

Berlin, of course, presents the most striking case in which financial difficulties have arisen during the past year, owing partly to mismanagement and, above all, to the habit of making public expenditures without regard to the available resources. In October, 1929, the city government announced that in view of the difficulties experienced in carrying its floating debt (which was reported at about 400 millions, including public utilities), no new construction would be undertaken and that, wherever practicable, construction already under way would be suspended. In December, the pressing need

for cash led to the conclusion of a short-term credit of 58.6 million reichsmarks with a group of banks under the leadership of the Prussian State Bank, on terms which required the complete amortization of the credit within twelve months out of a fund to which the city was obliged to contribute at least 5 million reichsmarks monthly. This fund is being derived from increases in transportation fares and in gas, electricity and water rates, which went into effect on January 1, 1930. At about the same time the State of Prussia decided to exercise more strictly its legal right of control over the city of Berlin, and the Governor of the province of Berlin-Brandenburg addressed a letter of instructions to the Acting Mayor of Berlin. According to the extract from this letter published on December 21, 1929, the Governor charged the Acting Mayor with the "supervision of the financial conduct of the city of Berlin . . . both in the central administration and in the district administrations", issued instructions as to the procedure to be followed, and closed the letter as follows: "I expect current reports, transmitting statements of the budget and of the cash position, on the execution of the necessary control. I expect the first report on January 2, 1930."

The cash position of Berlin after the turn of the year was eased by the taking up of various credits in January and February, 1930, to an aggregate amount of about 78 millions, and by the sale in March of its holdings in the Elektrizitätswerke Südwest A. G., for about 57 million reichsmarks, of which 25 millions represented the purchase price of the shares and 32 millions the discounted contribution payable by the company to the city for its exploitation rights for the next ten years. These transactions, some of which were for the purpose of reimbursing previous short-term credits, enabled the city to meet its most pressing cash requirements. Its budget difficulties, however, were still far from settled, and on February 23, 1930, the Acting Mayor issued a fresh call to the central and district administrations, concluding with the following injunction:

"The directives issued in respect of economies to be effected remain in force and may not be deviated from under any circumstances. I hold every official personally responsible for any act exceeding the limits drawn by the directives; in particular where, in the case of buildings, excesses arise through any particular expenditure. Management and supervision must be such as to enable any excess to be observed in time. In such cases information is to be supplied to me immediately by the deputy finance officer and approval for such exceeding of instructions to be obtained specially. In no case may the thought that money is available lead to the idea that the economy provisions hitherto issued may be followed more slackly, a course which in the long run would inevitably lead to fresh financial difficulties."

For the financial year 1929-30 the latest figures indicate a deficit of 36 millions in Berlin's ordinary budget. This deficit still remains to be covered, and apparently it has to be carried forward to 1930-31, since the municipal council refused

to approve the increases in taxation proposed by the city government for the purpose of bringing the budget into balance. For 1930-31, the gross expenditures carried in the draft ordinary budget amount to 1,007 millions, as compared with 915 millions in the ordinary budget of the preceding year, an increase of over 10 per cent. The expenditure figures for these two years are analyzed in the following table, from which it appears that the largest increases are 58 millions in the appropriations for real estate and finance, mainly for the service of the public debt, and 43 millions in appropriations for the welfare administration. The building administration shows a decrease of 13 millions, and there are smaller decreases in respect of schools and general administration. In addition to these estimated expenditures, the budget of 1929-30 included a deficit of 15 millions transferred from 1927-28, while the draft budget of 1930-31 provides for deficits of 9 millions and 36 millions brought forward from 1928-29 and 1929-30, respectively.

Ordinary budget expenditures of Berlin (In millions of reichsmarks)	1929-30 estimates	1930-31 estimates
General administration	45	41
Police	20	22
Building	56	43
Housing and settlements	140	142
Schools	167	164
Art and education	8	8
Welfare	209	252
Health	120	128
Enterprises (not self-supporting)	58	56
Real estate and finance	71	129
Taxes	22	23
Totals ¹	915	1,007

¹ Differences due to rounding off.

In addition, the city's draft extraordinary budget for 1930-31 provides for extraordinary expenditures of 45 millions, as compared with 162 millions in the preceding year. With regard to this decrease, the survey accompanying the budget makes the following statement:

"We have limited ourselves . . . to including in the expenditures only those which can be covered out of the 8 per cent gold treasury certificates of 1930, which have in the meantime been fully subscribed in the amount of 45 million reichsmarks. Further appropriations are out of the question since the possibility of the issue of further loans does not exist, and the provisional cover by means of floating debt must be avoided even if such means were not discountenanced by the supervisory authorities."

As the total estimated revenues of the city of Berlin for 1930-31 are about 133 millions less than the expenditures shown in the

consolidated budget, including the deficits brought forward from previous years, the following means of cover, expressed in millions of reichsmarks, have been proposed to the municipal council, which now has the budget under consideration:

Increased tariffs from gas, water and electricity on the basis of the higher rates adopted in the supplementary budget of 1929-30, less the amount set aside for debt amortization	26
Transfer from reserve fund	15
Anticipated repayments of dues, etc., for the prolongation of the concession of the Elektrizitätswerke Südwest A. G., after deduction of 4 millions in respect of transfer to the municipal treasury for increase in its working funds	28
Increased taxation on the basis of higher rates already proposed in the supplementary budget for 1929-30:	
Real estate tax	44
Occupations tax	15
Wage bill tax	5
	64
Total....	133

The Prussian Minister of the Interior has also prepared and submitted legislation modifying the constitution of the city of Berlin so as to give increased supervision to the State and increased powers and responsibilities to the Mayor.

The financial difficulties in which Berlin and many other communes have found themselves during the past year give the clearest possible demonstration of the dangers of unsound municipal finance. What is needed now is a thorough-going plan of reorganization on a basis which will provide the funds needed for the conduct of the public business but at the same time assure a strict control of public expenditures, now and for the future, and the systematic reduction of the floating indebtedness to really manageable proportions. Much of the confusion in the finances of the communes appears to have arisen from their transactions with the municipally-owned companies through which public utilities and other municipal enterprises are frequently managed, and no plan of reform will be complete which does not extend to the finances of these companies as well.

d. Financial Statistics of the German Public Authorities.

The Statistical Office of the Reich has recently published the assembled figures showing, for the years 1926-27 and 1927-28, the total revenues available to the Reich, the States and the communes, as well as their expenditures during these years. These figures, with those for 1925-26 and 1913-14, previously published, are summarized and briefly analyzed in the following sections. Their value at the present time is mainly historical, but as these statistics are gradually brought up to date it is possible to get a more and more connected picture of the public finances. The figures of the total tax revenues of the German public authorities are already practically current, and they are also presented in the following sections, up to the end of the first half of 1929-30.

Revenues and expenditures of the German public authorities (In millions of marks or reichsmarks)	1913-14 ¹	1925-26		1926-27			1927-28			
	Total	Total	Reich	States and Hanseatic cities	Communes	Total ²	Reich	States and Hanseatic cities	Communes	Total ²
<i>Revenues</i>										
Taxes	4,046	10,119	4,553	2,779	3,584	10,916	5,477	3,098	4,090	12,664
Surplus from undertakings, etc.	993	569	231	246	643	1,121	453 ⁴	334	564	1,351
Administrative revenues	1,113	1,915	176	680	1,150	2,006	184	710	1,293	2,187
Loans ³	628	492	318	306	941	1,564	119	397	1,082	1,598
Totals ²	6,779	13,095	5,278	4,010	6,319	15,607	6,233	4,539	7,028	17,800
<i>Expenditures</i>										
Defence, police, justice	2,381	1,909	924	886	216	2,026	983	1,011	242	2,236
Health, relief, etc.	1,120	2,938	856	716	2,607	4,189	812	531	2,471	3,813
Housing	31	1,070	161	355	934	1,449	69	442	1,118	1,628
Education, arts, religion	1,392	2,370	28	1,385	1,116	2,529	40	1,579	1,266	2,885
Communications, industry, etc.	1,018	1,454	354	473	922	1,750	332	535	1,270	2,137
Finance and debt. . .	725	868	847	132	245	1,224	1,120	172	144	1,435
Foreign affairs, interior, etc.	411	725	104	223	398	724	110	253	547	909
Internal war charges	63	2,022	1,978	—	—	1,978	1,910	—	—	1,910
External war charges	—	291	550	—	—	550	899	—	—	899
Colonies	33	—	—	—	—	—	—	—	—	—
Miscellaneous	3	28	—	31	—	31	—	39	—	39
Totals ²	7,178	13,677	5,802	4,202	6,437	16,441	6,274	4,560	7,057	17,891
Excess of expenditures over revenues ²	399	581	524	192	118	834	41	21	29	91
Transfer of surplus from previous years	386	1,077	782	69	68	919	258	123	Def. 47	334
Net surplus ²	—	495	258	—	—	85	217	102	—	244
Net deficit ²	13	—	—	123	51	—	—	—	75	—

¹ The 1913-14 figures are adjusted to the territory of the Reich in 1925-26 excluding the Saar.

² Differences due to rounding off.

³ Excluding in 1913-14 and 1925-26 loans issued by communes with not more than 5,000 inhabitants. The loans of the smaller communes are not separately reported for these two years and are included under "Administrative revenues".

⁴ Including 190 millions from special working fund created out of seigniorage receipts in 1924-25, and not included in the accounts of that year.

¹ The 1913-14 figures are adjusted to the territory of the Reich in 1925-26 excluding the Saar.

² Differences due to rounding off.

³ Excluding in 1913-14 and 1925-26 loans issued by communes with not more than 5,000 inhabitants. The loans of the smaller communes are not separately reported for these two years and are included under "Administrative revenues".

⁴ Including 190 millions from special working fund created out of seigniorage receipts in 1924-25, and not included in the accounts of that year.

The most important fact developed by the general financial statistics is that the reported expenditures of the German public authorities for the financial year 1927-28 amounted to a total of 17,891 millions of reichsmarks, as compared with 7,178 million marks

in 1913-14, and 13,677 millions and 16,441 millions in 1925-26 and 1926-27, respectively. Of the total expenditures in 1927-28, about 899 millions, or 5 per cent, represented external war charges, on account of the execution of the Dawes Plan.

1. Revenues.

The statistics recently published show that the total revenues available to the German public authorities in 1927-28, including the proceeds of loans, aggregated 17,800 million reichsmarks, as compared with 15,607 million reichsmarks in 1926-27 and 13,095 millions in 1925-26. In 1913-14 the total revenues amounted to 6,779 million marks. Both the revenues and the expenditures are summarized in the table on page 187, which classifies the revenues according to the public authority receiving them for expenditure, rather than by the authority collecting them. The revenues are divided into four categories: (a) taxes; (b) surplus from undertakings, etc.; (c) administrative revenues; and (d) loans. From 1925-26 to 1927-28 the total tax revenues increased by 2,545 millions and the surplus from public undertakings, etc., increased by 782 millions. The course of the administrative revenues and of the proceeds of loans cannot be compared separately throughout the whole period since in 1925-26, as well as in 1913-14, the loans of the communes with a population of 5,000 inhabitants and under are not separately reported but are included with the administrative revenues.

The table on page 189 shows the percentage relationship of the various categories of revenue to the total revenues of each of the groups of public authorities. The outstanding development of the three post-war years as compared with 1913-14 is the increased importance of the tax revenues and the relative decline in the proportion of revenues derived from public undertakings. It is also to be noted that in both 1926-27 and 1927-28 the proceeds of loans constituted about 15 per cent of the total revenues of the communes.

The statistical information published concerning the tax revenues of Germany is now substantially current and includes the returns up to September 30, 1929. The figures show not only the taxes collected by the various public authorities, but also the amounts available to each group of the public authorities for expenditure after transfers between groups have taken place.

The second table on page 189 shows the taxes collected by the Reich, on the one hand, and the States and communes, on the other, as well as the percentage of the total tax revenues which each collects. In 1928-29, the last full year for which the figures have been published, the total tax revenues were 13,216 millions, or more than three times the tax revenues of 1913-14. From 1925-26 to 1928-29, a period of three years, the total tax revenues increased by about 31 per cent, but this rate of increase has not continued in 1929-30, when the revenues appear to have held to about the same level as in 1928-29. The total revenues of the first half of 1929-30 increased only 2.3 per cent over those of the first half of the preceding year, while in the case of the Reich the figures

Available revenues of German public authorities (In per cent of totals)	1913-14 ¹	1925-26	1926-27	1927-28
Reich				
Taxes	81.0	96.6	86.3	87.9
Surplus from undertakings, etc.	8.7	Dr. 0.8	4.4	7.3
Administrative revenues	4.2	4.2	3.3	3.0
Loans	6.1	—	6.0	1.9
Totals ²	100.0	100.0	100.0	100.0
States and Hanseatic cities				
Taxes	45.5	73.3	69.3	68.3
Surplus from undertakings, etc.	26.8	5.3	6.1	7.4
Administrative revenues	19.3	17.8	17.0	15.6
Loans	8.3	3.7	7.6	8.7
Totals ²	100.0	100.0	100.0	100.0
Communes				
Taxes	54.4	63.2	56.7	58.2
Surplus from undertakings, etc.	10.1	8.1	10.2	8.0
Administrative revenues	} 35.5	} 28.6	18.2	18.4
Loans			14.9	15.4
Totals ²	100.0	100.0	100.0	100.0
Total				
Taxes	59.7	77.3	69.9	71.1
Surplus from undertakings, etc.	14.6	4.3	7.2	7.6
Administrative revenues	} 25.7	} 18.4	12.9	12.3
Loans			10.0	9.0
Totals	100.0	100.0	100.0	100.0

¹ The 1913-14 figures are adjusted to the territory of the Reich in 1925-26, excluding the Saar.
² Differences due to rounding off.

given in the earlier part of this chapter show that the tax revenues for the full year 1929-30, even with several increases in rates of taxation, remained practically the same as those of the preceding year. It should be noted that the percentage figures for the first half of 1929-30 are not strictly comparable with the percentages for the preceding full years, since tax collections are not equally divided between the two halves of the year.

Tax collections of the Reich, States and communes	1913-14 ³	1925-26	1926-27	1927-28	1928-29	1929-30 First half
Amounts, in millions of marks or reichsmarks, collected by						
Reich ¹	1,585	6,825	7,147	8,449	8,988	4,528
States and communes ²	2,461	3,294	3,769	4,215	4,228	2,024 ⁴
Totals	4,046	10,119	10,916	12,664	13,216	6,552
Percentage of total tax revenues collected by						
Reich ¹	39.1	67.4	65.5	66.7	68.0	69.1
States and communes ²	60.9	32.6	34.5	33.3	32.0	30.9

¹ Excluding Reich tax on real estate transactions, which is included under States and communes.
² Including Hanseatic cities.
³ The 1913-14 figures are adjusted to the territory of the Reich in 1925-26 excluding the Saar.
⁴ Partly estimated.

The tax revenues available to the Reich, the States and Hanseatic cities, and the communes, after tax transfers between them have been taken into account, are shown in the table below. Here, as in the preceding table, the percentages for the first half of 1929-30 are not strictly comparable with those of the full years preceding. By comparing the tax revenues collected with the tax revenues available it appears that the Reich now collects about 70 per cent of the total tax revenues as compared with about 40 per cent in 1913-14, but that the system of tax transfers from the Reich to the States and communes still results in leaving available to the Reich only about 43 per cent of the total tax revenues of Germany, as compared with about 40 per cent in 1913-14. The States absorb about 22 per cent, the Hanseatic cities about 3 per cent, and the communes about 32 per cent of the total.

Tax revenues available to the Reich, States and Hanseatic cities, and communes	1913-14 ²	1925-26	1926-27	1927-28	1928-29	1929-30 First half
Amounts, in millions of marks or reichsmarks, available to						
Reich	1,631	4,273	4,553	5,477	5,650	2,941
States	781	2,396	2,497	2,754	2,936	1,414
Hanseatic cities	131	247	281	344	389	190
Communes	1,503	3,204	3,584	4,090	4,242	2,007 ³
Total States and communes ¹	2,415	5,847	6,362	7,188	7,566	3,611
Grand totals ¹	4,046	10,119	10,916	12,664	13,216	6,552
Percentage of total tax revenues available to						
Reich	40.3	42.2	43.3	43.2	42.8	44.9
States	19.3	23.7	23.3	21.7	22.2	21.6
Hanseatic cities	3.3	2.4	2.6	2.7	2.9	2.9
Communes	37.1	31.7	30.8	32.3	32.1	30.6

¹ Differences due to rounding off.
² The 1913-14 figures are adjusted to the territory of the Reich in 1925-26, excluding the Saar.
³ Partly estimated.

The following table, showing the composition of the tax revenues of the States and communes, including the Hanseatic cities, indicates that since 1925-26 over two-fifths of their total tax revenues have been derived from transfers made from the budget of the Reich. The fact that the relation of the tax transfers to their total tax revenues has not varied appreciably during the period appears to indicate that the tax collections of the States and Hanseatic cities and of the communes have, on the average, kept pace with the increasing transfers from the Reich.

Composition of tax revenues of the States and communes (In millions of reichsmarks)	1925-26	1926-27	1927-28	1928-29	1929-30 First half
Tax collections ¹	3,294	3,769	4,215	4,228	2,024 ²
Tax transfers from Reich	2,553	2,593	2,973	3,338	1,587
Total tax revenues	5,847	6,362	7,188	7,566	3,611
Percentage of tax transfers to total tax revenues	43.7	40.8	41.4	44.1	43.9

¹ Including Reich tax on real estate transactions, which is not included in the tax transfers from the Reich.
² Partly estimated.

2. Expenditures.

The expenditures of the German public authorities, as shown in the table on page 187, aggregated 17,891 millions in 1927-28, as compared with 16,441 millions in 1926-27 and 13,677 millions in 1925-26. The total, in other words, was 1,450 millions higher in 1927-28 than in 1926-27, and 2,764 millions higher in 1926-27 than in 1925-26. Total expenditures in 1913-14 amounted to 7,178 million marks.

The following figures show the percentage shares attributable to the several categories of public expenditure in each of the four years for which figures are available:

Analysis of expenditures of German public authorities (In per cent of totals)	1913-14	1925-26	1926-27	1927-28
Defence, police, justice	33.2	14.0	12.3	12.5
Health, relief, etc.	15.6	21.5	25.4	21.3
Housing	0.4	7.8	8.8	9.1
Education, arts, religion	19.4	17.3	15.4	16.1
Communications, industry, etc.	14.2	10.6	10.6	11.9
Finance and debt	10.1	6.3	7.4	8.0
Foreign affairs, interior, etc.	5.7	5.3	4.4	5.1
Internal war charges	0.9	14.8	12.0	10.7
External war charges	—	2.1	3.3	5.0
Colonies	0.5	—	—	—
Miscellaneous	—	0.2	0.2	0.2
Totals ¹	100.0	100.0	100.0	100.0

¹ Differences due to rounding off.

The make-up of the post-war expenditures shows many changes, of course, as compared with 1913-14. One-third of the total expenditure in 1913-14 came under the heading of defence, police

and justice, while in the three post-war years covered by the table these expenditures were only from one-seventh to one-eighth of the total. The large relative decrease is due in part to the higher totals of the post-war years, and also to reduced expenditures for the Army and Navy on the part of the Reich. These expenditures in 1913-14 amounted to 1,822 million marks as compared with 633 million reichsmarks in 1925-26, 704 millions in 1926-27 and 769 millions in 1927-28. The post-war costs of police and justice, on the other hand, increased in all the groups of authorities. Expenditures for health, relief, etc., increased from about one-sixth of the total in 1913-14 to between one-fourth and one-fifth in the post-war years, owing largely to the growing social charges and the increased payments for unemployment relief, which in 1926-27 constituted over one-third of the total in this category as compared with less than one-half of 1 per cent in 1913-14. The expenditure on housing, which was negligible in 1913-14, when it absorbed only 31 million marks, increased progressively in importance in the three post-war years, when it accounted for 1,070 million reichsmarks, 1,449 millions and 1,628 millions, respectively, over two-thirds of which on the average was borne by the communes. External war charges, primarily for the execution of the Dawes Plan, amounted to 5 per cent of the total expenditures of the public authorities in 1927-28, as compared with 3.3 per cent in 1926-27 and 2.1 per cent in 1925-26. Internal war charges at the same time decreased to 10.7 per cent in 1927-28, as compared with 12 per cent in 1926-27, and 14.8 per cent in 1925-26.

VI. The German Public Debt.

The steady increase of the total public debt of Germany, which has been noted in previous Reports, continued during the financial year 1929-30. The extent of the increase is shown not only in the public debt statements of the Reich, but also in the latest statistics for the public debts of the States and communes, which now give the figures for the States and Hanseatic cities and for the larger communes down to the end of the third quarter of 1929-30. The principal factor, of course, in this continued growth of public indebtedness has been the constant borrowing resulting from the budgetary deficits which have been reviewed in the preceding chapter on the German budget.

The reported public debt of the Reich rose during the year to a total of 10,353 million reichsmarks, a net increase of about 1,403 millions. Of this increase, about 440 millions resulted from the further inscription of war damage liquidation debt certificates, but much the largest part was in Treasury certificates, which alone showed an increase of 1,016 millions. Some of these appear to have been issued to fund various short credits which had not previously been reported in the public debt statements, while 361 millions were held by the Agent General, representing the anticipation of budgetary savings under the Young Plan rather than a further addition to the debt. For the most part, however, the tremendous increase in the volume of Treasury certificates reflected the growing budgetary deficits of the Reich.

The public debts of the States and communes at the end of 1929-30 have not yet been reported, but the figures as of December 31, 1929, which are now available for the States and Hanseatic cities and the communes with 100,000 or more inhabitants, indicate that in the first nine months of the financial year the States increased their indebtedness by 116 millions, the Hanseatic cities by 98 millions, and the communes with 100,000 or more inhabitants by about 729 millions, part of which is reported to have been due to the absorption of smaller communes. The most recently published figures also show that the public debts of the communes with over 10,000 inhabitants (including those with 100,000 or more inhabitants) increased during the period of eighteen months between March 31, 1928, and September 30, 1929, by as much as 2,371 millions, or about 50 per cent.

The published statistics show further that a large part of the total increase in indebtedness has taken the form of floating debt. In the case of the Reich the floating debt accounted for 64 per cent of the total increase for the year 1929-30, and in the case of the States for more than the entire net increase in their indebtedness during the first nine months of the year, since there was a decrease of 7 millions in the funded debt. In the case of the Hanseatic cities and the communes with 100,000 or more inhabitants the floating debt accounted for 97 and 60 per cent, respectively, of their total debt increases in the first nine months of the year. In the case of the communes with over 10,000 inhabitants, about

45 per cent of their increased indebtedness in the eighteen months' period between March 31, 1928, and September 30, 1929, took the form of floating debt. Not only did the floating indebtedness of the public authorities rise materially during 1929-30, but the difficulty of carrying it increased and at times, particularly in April and May, and again in December, 1929, the tension became acute. Conditions in the domestic credit market during most of the last year were not favorable to the issuance of long-term loans, and the problem has now become so pressing that for some months past urgent attention has had to be given to the necessity of consolidating the floating indebtedness and the possibilities of making reductions in indebtedness out of taxes or budgetary savings. The measures which have thus far been taken to deal with the floating debts of the public authorities have been described in the preceding chapter.

The official figures of the indebtedness of the States and Hanseatic cities and of the communes which have been published since the last Report make it possible for the first time since stabilization to give a comprehensive view of the German public debt as a whole. The assembled figures for March 31, 1928, the latest which are complete for all the public authorities, show that on that date the reported indebtedness was divided as follows: the Reich about 7,891 millions, the States about 1,298 millions, the Hanseatic cities about 398 millions, and the communes about 5,792 millions. The growth of the public debts of the various public authorities since March 31, 1928, to the extent to which official figures are now available, is also summarized in the following sections, and it is possible in this way to get a fairly comprehensive picture of the German public debt up to September 30, 1929. But no complete view can be obtained for any date later than March 31, 1928, owing to the fact that later information has not been published regarding the debts of the communes with 10,000 or less inhabitants. The official figures, in all cases, include short-term indebtedness but exclude post-stabilization guaranties, debts between the public authorities, and debts of undertakings belonging wholly to the public authorities but existing in the form of private companies. The public debt statements of the Reich, moreover, do not yet include the reparation indebtedness of Germany as finally determined under the Young Plan.

a. Public Debt of the Reich.

The reported public debt of the Reich increased by 1,403 million reichsmarks in 1929-30 and aggregated 10,353 millions on March 31, 1930, according to the official statements furnished by the Finance Ministry of the Reich. These figures, however, include 361 millions of Treasury certificates held by the Agent General which represent the anticipation of savings under the Young Plan rather than a further addition to debt. The details of the public debt on March 31, 1930, are shown in the table on page 195, with comparative figures for the end of the six preceding financial years.

The public debt statements up to this time have not taken account of the indebtedness of Germany under the Young Plan, as finally

Public debt of the Reich (In millions of reichsmarks)	March 31, 1924	March 31, 1925	March 31, 1926	March 31, 1927	March 31, 1928	March 31, 1929	March 31, 1930
BONDS							
Loan liquidation debt ¹							
with drawing rights ..	—	—	1,754 ²	4,743 ³	4,548 ³	4,340 ³	4,194 ³
without drawing rights	—	—		700	700	700	743
Reich loan of 1927	—	—	—	364	500	500	500
Reich loan of 1929	—	—	—	—	—	—	183
War damage liquidation debt certificates ⁴	—	—	—	—	—	562	1,001
Totals ⁵	—	—	1,754	5,807	5,748	6,102	6,620
TREASURY CERTIFICATES							
Dollar certificates	195	—	—	—	—	—	—
6 per cent, repayable 1935	210	22	19	19	19	18	18
6 per cent, repayable 1932	42	1	1	1	1	1	1
"K" bonds	3	1	1	1	1	1	—
"E" bonds	—	251	87	—	—	—	—
Treasury bills	149	30	—	—	40	383	400
7 per cent bonds 1928, issued to social insurance institutes	—	—	—	—	—	103	103
7 per cent bonds 1929, issued to old age and disability insurance in- stitute	—	—	—	—	—	—	176
Treasury certificates issued in connection with the financial agreement with Rumania	—	—	—	—	—	45	30
Other Treasury certificates	—	—	—	—	—	200	1,216
Totals ⁵	599	305	108	21	61	750	1,945
BANK DEBTS							
Rentenbank	1,097	1,185	1,054	922	783	656	522
Reichsbank	235	227	218	208	199	190	181
Totals	1,332	1,412	1,272	1,130	982	846	703
EXTERNAL LOAN, 1924							
Dollars	—	454	434	445 ³	423 ³	407 ³	384 ³
Pounds sterling	—	433	435	429	420	412	401
Swedish crowns	—	29	28	27	27	26	26
Lire	—	17	16	19	21	20	20
Swiss francs	—	12	12	12	11	11	11
Totals ⁵	—	946	925	932	902	877	842
OTHER REICH DEBTS							
Guaranties (pre-stabiliza- tion)	448	105	52	51	42	—	—
Credit for reclaiming farm land	—	9	12	12	12	12	—
Loan from the Reichspost	—	—	—	110	60	133	23
Short-term loans	—	—	—	—	75	220	210
Other obligations to pay ⁶	27	19	19	10	9	9	9
Totals ⁵	475	133	83	183	198	375	242
Grand totals ⁵	2,406	2,796	4,142	8,073	7,891	8,950	10,353

¹ Provisional estimates.

² Nominal value.

³ Capital value including premium on redemption.

⁴ The inscription of this debt is not yet complete; it is expected eventually to amount to about 1,100 million reichsmarks.

⁵ Differences due to rounding off.

⁶ Excluding administrative credit at the Reichsbank limited by the Bank law to 100 millions and amounting on March 31, 1930, to 50 millions, and the advance of 135 millions made toward the end of March, 1930, by the Bank for Industrial Debentures.

determined by The Hague Agreement of January 20, 1930. This indebtedness is now represented by the Debt Certificate of the German Government which has been given to the Bank for International Settlements in accordance with Annex III to The Hague Agreement, and it is stated in terms of Annuities rather than in terms of capital debt. But on a $5\frac{1}{2}$ per cent basis, the rate at which the calculations of the Young Plan were made and at which the Debt Certificate gives Germany the "right to redeem all or any part of the not yet mobilised Annuities", the total capital value of the Annuities payable under the Young Plan from April 1, 1930, to March 31, 1988, amounted as of April 1, 1930, to about 36 milliard reichsmarks. This figure includes the Annuities payable to the United States of America under the separate agreement concluded simultaneously with the adoption of the new Plan. It does not include the amounts representing the first Annuity under the Young Plan, since these had already been paid during the Transition Period between September 1, 1929, and March 31, 1930; and it also excludes the amounts required for the service of the German External Loan, 1924, since the outstanding principal amount of this Loan already appears in the regular statements of the public debt. On the other hand, no allowance has been made in these calculations for the fact that the Reich receives 660 millions a year from the German Railway Company, from October 1, 1929, to April 1, 1966, as a contribution toward the Annuities payable under the new Plan. The total capital value of this Railway contribution, also calculated on a $5\frac{1}{2}$ per cent basis, amounted, as of April 1, 1930, to about 10.9 milliards, which counts, of course, as an asset for the Reich against its total capital debt of about 36 milliards under the new Plan.

The reported increases and decreases in the various categories of the public debt of the Reich during 1929-30 were as follows, expressed in millions of reichsmarks:

NEW ITEMS

Reich loan, 1929.....	183
Bonds issued to old age and disability insurance institute	176

INCREASES IN EXISTING ITEMS

Loan liquidation debt without drawing rights	43
War damage liquidation debt certificates	438
Treasury bills	18
Other Treasury certificates	1,016
Gross increase....	1,874

DECREASES IN EXISTING ITEMS

Loan liquidation debt with drawing rights.....	146
Treasury certificates issued in connection with financial agreement with Rumania	15
Bank debts to Rentenbank and Reichsbank.....	143
German External Loan, 1924.....	35
Credit for reclaiming farm land.....	12
Loan from Reichspost	110
Short-term loans	10
Total decrease....	471
Net increase....	1,403

The new items appearing in the debt statement consist, first, of the 7 per cent tax-exempt internal loan issued in May and June, 1929, in the nominal amount of 183 millions, from which a total of 179 millions was realized; and, second, of the 7 per cent $5\frac{1}{2}$ year bonds, issued at 93 per cent to the old age and disability insurance institute in the last half of the financial year, in the nominal amount of 176 millions, from which 163 millions were realized. Both of these issues were described in the last Report.

The increases in existing items of the public debt during the year were as follows:

(a) The loan liquidation debt without drawing rights, the figures of which are not yet final, increased by 43 millions in consequence of the settlement of certain outstanding claims.

(b) The war damage liquidation debt increased by 438 millions, following the further inscription of debt certificates. It is estimated that about 100 millions of certificates will still have to be issued before the inscription of this debt is complete.

(c) The Treasury bills discountable at the Reichsbank again reached the maximum legal limit of 400 million reichsmarks on March 31, 1930. About 82 per cent were reported as issued on the open market as against 91 per cent on March 31, 1929.

(d) Other Treasury certificates increased by 1,016 millions and aggregated 1,216 millions on March 31, 1930. Full details of this amount have not been published but it appears to be made up of the following items:

200 millions taken by the German banks at a discount of $7\frac{1}{2}$ per cent. About three-quarters of this issue were originally repayable on September 30, 1929, but were prolonged on the same terms until the maturity of the remainder, on January 31, 1930. Subsequently, on January 17, 1930, the whole of this issue was again prolonged at the same discount rate, under an arrangement according to which 100 millions will be repayable on July 31, 1930, a further sum of 50 millions on November 30, 1930, and 50 millions on December 31, 1930;

350 millions taken by the Reich loan syndicate under the direction of the Reichsbank in December, 1929. This loan bears interest at one-half of one per cent above the Reichsbank discount rate, which stood at 7 per cent at the date when the loan was first issued, and is repayable in seven monthly instalments of 50 millions from April 15 to October 15, 1930, inclusive, out of the amortization fund created in virtue of the law of December 24, 1929, as explained in the previous chapter in the section discussing the cash position;

125 millions of one-year Treasury bonds issued in three tranches in January, February and March, 1930, and maturing on January 15, February 15, and March 15, 1931, respectively;

180 millions taken by the German Railway Company originally in the form of short-term certificates, but recently renewed and extended to a longer term by arrangement between the German Government and the Railway Company;

361 millions taken by the Agent General for Reparation Payments, pursuant to the provisions of The Hague Protocol of August 31, 1929, as supplemented and extended by The Hague Agreement of January 20, 1930. These Treasury certificates represent, in effect, an anticipation of the savings which accrue to the German Government under the Young Plan rather than a further addition to the public debt.

The decreases in existing items of the public debt during the year were as follows:

(a) The loan liquidation debt with drawing rights decreased by 146 millions, due to the annual drawing of bonds made in October, 1929, and paid in December, 1929.

(b) The Treasury certificates issued in connection with the financial agreement with Rumania decreased by the retirement of 15 millions in April, 1929; another 15 millions have since matured on April 1, 1930, and the balance comes due April 1, 1931.

(c) The debt to the Rentenbank decreased by 134 millions, of which 60 millions came from the four quarterly payments by the Reich, due under paragraph 7b of the law on the liquidation of Rentenbank notes, and the balance from interest payments by the owners of the mortgaged land under paragraph 7a of the law. The debt to the Reichsbank decreased by 9 millions, the amount of the annual payment by the Reich provided for in the budget.

(d) The German External Loan, 1924, decreased by 35 millions, primarily through the operation of the sinking fund.

(e) The credit for reclaiming farm land, which amounted to 12 millions on March 31, 1929, appears to have been liquidated. At any rate, it has not been reported in the published statements since June, 1929.

(f) The special loan from the Reichspost, which amounted to 133 millions on March 31, 1929, decreased to 23 millions on March 31, 1930, thus reflecting the lessened volume of Reichspost funds available for this purpose, as indicated in the preceding chapter.

(g) Short-term loans decreased by 10 millions, leaving a balance of 210 millions outstanding on March 31, 1930.

The floating debt of the Reich, as shown in the public debt statement, amounted to 1,888 million reichsmarks on March 31, 1930. This total, however, does not include the administrative credit granted to the Reich at the Reichsbank, amounting on that date to 50 millions, or the advance of 135 millions made toward the end of March by the Bank for Industrial Debentures, in anticipation of the 150 millions payable to the Reich upon the coming into force of the new Plan, representing the April 1st instalment of the service of the industrial debentures.

The following table, expressed in millions of reichsmarks, shows the various categories of the floating debt as reported for March 31, 1930, with comparative figures for the end of the three previous financial years:

	March 31, 1927	March 31, 1928	March 31, 1929	March 31, 1930
Treasury bills.....	—	40	383	400
Treasury certificates under agreement with Rumania.....	—	—	45	30
Other Treasury certificates.....	—	—	200	1,216
Guaranties (pre-stabilization).....	51	42	—	—
Loan from Reichspost.....	110	60	133	23
Short-term loans.....	—	75	220	210
Other obligations to pay.....	10	9	9	9
Totals.....	171	226	990	1,888

The growth of the floating debt during 1929-30 has been discussed at length in the previous chapter in connection with the cash position of the Reich. With the coming into force of the Young Plan, important reductions may be expected to take place, partly through the redemption of the 361 millions of Treasury certificates held by the Agent General, which were in fact retired on May 17, 1930, and also through the various special funds which revert to the Reich as the Dawes Plan comes to an end, as outlined in the previous chapter.

In addition, it has been officially announced, in the Finance Minister's declaration of January 27, 1930, to the Reichstag, that the floating debt will be reduced by the proceeds of the loan which the Reich is to receive from Kreuger & Toll and the Swedish Match Company, to which reference has also been made in the preceding chapter. According to the terms of the Swedish Match contract the proceeds of the first tranche of the loan, in the nominal amount of 50 million dollars, would not have become payable to the Reich until August 29, 1930, while the proceeds of the second tranche, in the nominal amount of 75 million dollars, were not payable until May 29, 1931. Under the leadership of the Reichsbank, however, a syndicate of German and foreign banks and bankers was formed in March, 1930, for the purpose of discounting both tranches of the loan so as to make the proceeds of the first tranche available to the Reich in April, 1930, and the second tranche in June, 1930. In the communiqué announcing the conclusion of these arrangements the Finance Ministry emphasized that the proceeds of the Swedish Match loan were intended to serve the reduction of the floating debt and added that "through the discounting of the proceeds of this loan the Finance Minister will bring about the reduction of this floating debt at once. The debt amortization which is contemplated in the law of December 24, 1929, and which, in the course of the budget year 1930-31, is to be effected in the amount of 450 millions from new taxes and economies, is to be carried out in addition." The Finance Minister has thus undertaken that the funds derived by the Reich from the discounting of the proceeds of the Match loan will be applied at once to the reduction of the floating debt, instead of finding their way into additional expenditure. The public debt statement for April 30, 1930, however, has not yet been published, and it is not

known, therefore, to what extent the floating debt may have been reduced up to this time through the funds that were received in April, 1930, from the discounting of the first tranche.

The official statements of the public debt do not include the contingent liabilities outstanding under the various guaranties undertaken by the Reich since stabilization, principally in aid of industry, housing, foreign trade and agriculture. According to a statement of the Finance Ministry which appeared in the survey accompanying the draft budget of 1930-31, these guaranties aggregated 522 millions on January 1, 1930, as compared with 783 millions on October 1, 1928. The details are indicated in the following table:

Post-stabilization guaranties assumed by the Reich (In millions of reichsmarks)	October 1, 1928	January 1, 1930
AGRICULTURE		
Agricultural machines.....	21	21
Fertilizers.....	34	1
Vinegrowers.....	30	—
Live-stock marketing companies.....	22	17
Debt consolidation credits.....	—	60
Loans to peasants in East Prussia, etc.....	—	5
Miscellaneous.....	1	1
Totals¹....	108	104
TRADE AND COMMERCE		
Flax growing and spinning.....	8	6
Russian credits.....	139	36
Other support of German exports.....	132	134
Industrial undertakings (Mechernicher Werke, Niederschlesische Bergbau A.-G., Komnick A.-G., Ostpreussenwerk).....	30	10
Totals¹....	308	185
SHIPPING		
Loan to		
Rhine-Main-Danube Canal A.G.....	37	35
Neckar Canal A.G.....	8	7
Tank steamers.....	17	16
Totals¹....	61	57
HOUSING AND SETTLEMENTS		
Small dwelling houses.....	200	146
Refugee settlements.....	70	17
Small dwellings for Reich employees and war victims.....	25	2
Totals....	295	165
OCCUPIED TERRITORIES		
Communes with curative spas.....	3	3
Agriculture and commerce.....	6	5
Totals¹....	8	8
MISCELLANEOUS		
Deutsches Museum in Munich.....	4	4
Grand totals¹....	783	522

¹ Differences due to rounding off.

The foregoing table, it appears from the text of the survey, has been drawn on a different basis from the table of guaranties assumed by the Reich as of October 1, 1928, which was published with the survey accompanying the draft budget of 1929-30 and summarized in the last Report. This table showed guaranties to a total of 1,189 million reichsmarks as of October 1, 1928, including the guaranty of the dividend on 400 million gold marks, nominal amount, of preference shares issued by the German Railway Company. The table now published, however, does not take this guaranty of Railway preference shares into account, either on October 1, 1928, or on January 1, 1930. The survey indicates, furthermore, that even the figures now published for these two dates have not been prepared on the same basis, and that the figures for October 1, 1928, include certain guaranties authorized but not taken up, whereas the figures for January 1, 1930, comprise only guaranties actually assumed and do not include guaranties authorized but not yet taken up, amounting at that date to 550 millions, or guaranties which have expired in the meantime with or without being taken up. No conclusions, therefore, can be drawn from the apparent decrease of 261 millions in outstanding guaranties between October 1, 1928, and January 1, 1930.

The total losses incurred under these guaranties up to January 1, 1930, are reported as amounting to 48 millions, of which 40 millions were met out of the reserve fund created in the years 1927-28 to 1929-30, while the balance of 8 millions remains to be covered in 1930-31 out of an appropriation of 13 millions included in the draft budget to replenish the reserve fund. On the general question of the risk of loss under outstanding guaranties, and the dangers of these guaranties from the standpoint of the budget of the Reich, the survey accompanying the 1929-30 budget contained a significant statement from the Finance Ministry of the Reich, in the following terms:

"Since, as stated above, most of the guaranteed claims have not yet matured, these particulars do not give an exact picture of the degree of risk entailed by the individual guaranty categories. But it is already possible to say that the greatest risk is entailed by guaranties for credits accorded to individual industrial undertakings (the credits known as subsidy credits) and that in addition considerable losses are to be feared in all cases where assistance to branches of enterprise, instead of taking the form of non-repayable grants or of Reich credits shown as expenditure in the budget, takes the form of a guaranty of the Reich. There is grave danger that the decision to take up a guaranty, which is no charge on the budget under discussion, will be all too lightly adopted, and that a subsequent budget year will be burdened with charges which the current year is possibly unable to bear."

A further statement in much the same sense appears in the survey accompanying the 1930-31 budget, as follows:

"The inherent risk can be kept within tolerable limits if the guaranties are not misused in the sense of providing necessitous undertakings with a backing which enables them

to take up short-term credits which then have to be made good by the Reich as they fall due, and if relief is not given to particular branches of industry or particular districts in this form in the place of grants-in-aid or direct credits by the Reich. Such attempts tend to conceal the real budgetary position inasmuch as expenditure which is bound to be incurred is not shown clearly at the moment of its being voted in the budget. It also tends readily to lead to a certain cheerful readiness to make grants which revenges itself on later budgets not responsible for the grants."

Notwithstanding the views thus expressed by the Finance Ministry of the Reich, it appears from recent announcements that a further series of guaranties is now under consideration, primarily for agricultural credits and for relief in the agricultural districts toward the east.

A guaranty of the Reich operates, of course, as a pledge of the public credit, and apart from the risk of loss to the budget it puts an indirect burden on the credit of the Reich, which reacts adversely on all direct issues of Reich obligations. There are strong presumptions, therefore, against the assumption of additional guaranties, and it would greatly strengthen the Government's credit and facilitate the management of the public debt as a whole if it were clearly understood for the future that no new drafts were to be made on the public credit in this form.

b. Public Debts of the States and Communes.

Considerable progress has been made by the Reich Statistical Office since the last Report in bringing up to date the assembled statistics of the public debts of the States and communes, as reported to the Reich pursuant to the decree of June 23, 1928. Under this decree monthly statements must be furnished by the States and by communes with over 100,000 population, while communes with a population between 10,000 and 100,000 are required to furnish their debt statements quarterly. The figures for the public debts of the States and all the communes are now complete as of March 31, 1928, and are summarized in the table on page 203, to which, in order to give a comprehensive view, the figures for the public debt of the Reich on that date have been added. A similar table was published in the last Report, without including the figures for the Reich, but the official information regarding the indebtedness of the communes as of March 31, 1928, had not then been fully published, particularly in respect of post-stabilization indebtedness contracted within Germany. In view of the importance of the missing information, an estimate was made of this indebtedness by the Economic Service of the Transfer Committee and was included in the table published in the last Report. The official figures, which are now available, indicate that this estimate was too low by as much as 2,145 millions. The estimate, it will be recalled, was based on the reports of loans issued by the public authorities on the capital market, as published monthly in

Public debts of Reich, States and Hanseatic cities, and communes, March 31, 1928 (In millions of reichsmarks)	Reich	States	Hanseatic cities	Communes
PRE-STABILIZATION				
Revalorized paper mark debt				
Bonds with redemption rights	4,548	28	95	1,049
Bonds without redemption rights	700	1	11	17
Fixed-value debt	1,054	32	40	90
Totals ¹	6,302	62	146	1,156
POST-STABILIZATION				
Contracted abroad				
Funded debt	902	379	143	512
Floating debt	—	133	76	30
	902	512	219	542
Contracted within Germany				
Funded debt	512	287	1	2,570
Floating debt	175	438	33	1,525
	687	725	34	4,095
Totals	1,589	1,237	253	4,637
Grand totals ¹	7,891	1,298	398	5,792

¹ Differences due to rounding off.

Wirtschaft und Statistik, but it now appears, from the survey accompanying the official figures as of March 31, 1928, that nearly 40 per cent of the total post-stabilization domestic debts of the communes had taken the form of floating debt, consisting mainly of current advances from the savings banks and other short credits taken up on the money market, which are not included in the figures published in Wirtschaft und Statistik and concerning which no official figures were available at the time the estimate which appeared in the last Report was made. The under-estimate on this account amounted to 1,525 millions, and in addition there was a further under-estimate of about 620 millions in the funded domestic debt, due to the fact that the loan figures published in Wirtschaft und Statistik failed to show the whole of the long-term debt contracted.

The official figures indicate that the total indebtedness of the communes as of March 31, 1928, amounted to 5,792 millions, or nearly two-fifths of the total indebtedness of all the German public authorities. Of the indebtedness of the communes on this date, 4,637 millions, or about four-fifths of the total, consisted of post-stabilization debt, of which 4,095 millions were reported as having been contracted within Germany and 542 millions abroad. About one-third of this post-stabilization debt was reported to be in the form of floating debt, consisting principally of interim credits obtained in Germany pending the issue of long-term loans.

In addition to the assembled statistics as of March 31, 1928, the published figures of the public debts of the States and Hanseatic

cities and of the larger communes are now complete to December 31, 1929, while figures for the communes of more than 10,000 inhabitants are available as of September 30, 1929. These later statistics are summarized in the next two sections.

1. Public Debts of the States and Hanseatic Cities.

The public debts of the States and Hanseatic cities as of December 31, 1929, are summarized in the following table, with comparative figures for March 31, 1928, and March 31, 1929, as published by the Statistical Office of the Reich:

Public debts of the States and Hanseatic cities (In millions of reichsmarks)	States			Hanseatic cities		
	March 31, 1928	March 31, 1929	Dec. 31, 1929	March 31, 1928	March 31, 1929	Dec. 31, 1929
PRE-STABILIZATION						
Revalorized paper mark debt ¹	28	32	28	95	89	87
Fixed-value debt	32	32	32	40	37	37
Totals ²	61	64	60	135	126	124
POST-STABILIZATION						
Contracted abroad						
Funded debt	379	378	373	143	151	150
Floating debt	133	115	174	76	23	100
	512	493	547	219	173	250
Contracted within Germany						
Funded debt	287	435	438	1	26	30
Floating debt	438	735	799	33	155	173
	725	1,171	1,236	34	180	203
Totals ²	1,237	1,664	1,783	253	353	453
Grand totals ²	1,298	1,727	1,843	388	479	577

¹ Excluding bonds without drawing rights and unsettled claims.

² Difference due to rounding off.

The indebtedness of the States on December 31, 1929, stood at a total of 1,843 millions, an increase of 116 millions in the first nine months of the financial year 1929-30 as compared with an increase of 429 millions in the preceding twelve months. The increase in the floating debt alone was 123 millions, contracted about one-half abroad and one-half within Germany, while funded debt decreased by about 7 millions.

The debts of the Hanseatic cities have continued to grow at a somewhat faster rate, and are reported as amounting on December 31, 1929, to a total of 577 millions, an increase of about 98 millions in the first nine months of 1929-30 as compared with an increase of 91 millions in the preceding twelve months. As in the case of the States, the increase was almost entirely confined to the

floating debt, other debt having remained practically stationary. About 81 per cent of the increase in the floating debt is reported to have been contracted abroad, through the sale of treasury certificates.

The States and Hanseatic cities, in addition to their direct indebtedness summarized in the foregoing table, have also incurred debts to the Reich, mainly in the form of reimbursable credits for housing, and have assumed guaranties for various purposes, principally in respect of bonds issued by their public credit institutions. The credits from the Reich to the States amounted to 139 millions on December 31, 1929, showing a decrease of 62 millions in the first nine months of 1929-30 in consequence of the reimbursement of credits for mortgages on small dwellings granted in 1926-27. Reich credits to the Hanseatic cities, on the other hand, remained practically unchanged at 19 millions on December 31, 1929. Information concerning the guaranties assumed by the States and Hanseatic cities is not available for any date later than March 31, 1928, when they are reported to have amounted to a total of 618 millions.

2. *Public Debts of the Communes.*

The official statistics of the indebtedness of the communes, though not so current or complete as those for the other public authorities, are still adequate for an appreciation of their present position. The latest figures covering all communes are for March 31, 1928, already summarized in the table on page 203; but for the communes with over 10,000 inhabitants and for the associations of communes, statistics of public debts are available as of September 30, 1929, while for the communes with 100,000 or more inhabitants the debt figures are available as of December 31, 1929.

The table on page 206 shows, as of March 31, 1928, and September 30, 1929, the public debts of the communes with more than 10,000 inhabitants and of the associations of communes. No figures are available for the public debts of the communes with 10,000 inhabitants or less on any date later than March 31, 1928, but even without these figures the table gives a comprehensive picture of communal indebtedness and of its growth during recent years. In the figures of March 31, 1928, the debts of the smaller communes amounted to only 18.5 per cent of the total, while the official commentary accompanying the figures of September 30, 1929, states that "the share of these smaller communes in the total communal debt has probably decreased since March 31, 1928".

The table shows that in the eighteen months ended September 30, 1929, the public debts of the communes with more than 10,000 inhabitants and of the associations of communes increased by a total of 2,371 millions, or about 50 per cent. Of this increase about 10 millions are reported as having resulted from the absorption of smaller communes by the larger ones. During the same period the debts of the States increased by 464 millions, or 36 per cent, and those of the Hanseatic cities 149 millions, or 39 per cent. The communes whose debts are included in the table have thus increased their indebtedness at an appreciably greater rate than the States and Hanseatic cities.

Public debts of the communes with more than 10,000 inhabitants and of the associations of communes (In millions of reichsmarks)	March 31, 1928	September 30, 1929	Increase ¹
PRE-STABILIZATION			
Revalorized paper mark debt ¹	924	945	21
Fixed-value debt	89	114	26
Totals	1,013	1,059	47
POST-STABILIZATION			
Contracted abroad			
Funded debt	497	706	209
Floating debt	27	12	dec. 15
	524	718	195
Contracted within Germany			
Funded debt	1,921	2,979	1,058
Floating debt	1,267	2,338	1,071
	3,188	5,317	2,129
Totals ²	3,712	6,036	2,324
Grand totals ²	4,724	7,095	2,371

¹ Excluding bonds without drawing rights and unsettled claims.

² Differences due to rounding off.

The growth of the communal indebtedness during the eighteen months' period occurred principally in the domestic post-stabilization debt, which increased by 2,129 millions, of which 1,058 millions represented funded debt and 1,071 millions floating debt. The pre-stabilization debt showed an increase of 47 millions, due to the further settlement of disputed claims in the case of the revalorized debt and to a more complete assembling of the figures of the fixed-value debt.

The debt figures in the foregoing table do not include the credits granted to these communes by the Reich or the States for housing, productive unemployment relief, etc., or those obtained from rent tax funds. On September 30, 1929, the credits from the Reich and the States aggregated 435 millions as compared with 404 millions on March 31, 1928, while credits from rent tax funds aggregated 353 millions on September 30, 1929, as compared with 204 millions on March 31, 1928.

The total floating debt of the communes included in the table amounted to about 2,350 millions on September 30, 1929, practically all of which is reported to have been contracted within Germany, though substantial amounts indicated as contracted within Germany are probably held abroad. This tremendous volume of floating debt, in conjunction with the greatly increased floating indebtedness of the Reich, has kept the domestic credit market under heavy pressure throughout the past year. The tendency of the floating debt to increase more largely than the funded debt is characteristic of the recent development of the indebtedness of all the German public authorities, including the Reich. In

this connection the official survey accompanying the debt figures of the communes for March 31, 1928, states that before the war intermediate and short-term debt was created by the communes almost entirely for the purpose of meeting temporary cash requirements, while the post-war growth of communal floating debt has been due largely to the unwillingness of the communes to borrow at long term at the high rates prevailing in the domestic capital market. The true explanation, however, is to be found in the fact that for some years past the communes have lived largely beyond their incomes, and have fallen back more on short-term and intermediate credits to finance capital expenditures and public works which should never have been undertaken unless first assured of proper financing at long term. The result has been to put a severe strain on the domestic market and on the cash position of the public authorities, and under pressure of this necessity emergency measures have had to be taken, as outlined in the previous chapter, to deal with the problem of debt consolidation.

The table below shows the public debts of the communes with 100,000 or more inhabitants on four different dates beginning March 31, 1928, and ending December 31, 1929. These are the latest figures of communal indebtedness, and they make it possible to follow the development of the public debts of the larger communes up to the end of 1929. The indebtedness of these communes on March 31, 1928, amounted to about two-fifths of the aggregate public debts of the communes on that date, and the subsequent figures up to September 30, 1929, are already reflected, of course, in the statistics given in the previous table for communes with more than 10,000 inhabitants.

Public debts of the communes with 100,000 or more inhabitants (In millions of reichsmarks)	March 31, 1928	March 31, 1929	Septem- ber 30, 1929	Decem- ber 31, 1929
PRE-STABILIZATION				
Revalorized paper mark debt ¹ . . .	559	541	556	567
Fixed-value debt	59	74	74	73
Totals ²	618	615	629	640
POST-STABILIZATION				
Contracted abroad				
Funded debt	413	593	592	602
Floating debt		5	1	1
	413	598	593	603
Contracted within Germany				
Funded debt	1,330	1,148	1,367	1,415
Floating debt		1,010	1,286	1,443
	1,330	2,158	2,653	2,858
Totals ²	1,743	2,757	3,246	3,461
Grand totals ²	2,361	3,372	3,875	4,100

¹ Excluding bonds without drawing rights and unsettled claims.

² Differences due to rounding off.

The indebtedness of the large communes, it will be observed, increased by 729 millions in the first nine months of 1929-30, as

compared with an increase of 1,011 millions during the whole year 1928-29. An appreciable part of this increase appears to have resulted from the absorption of small communes, and during the first half of the year alone about 176 millions out of a total increase of 503 millions are reported to have been due to this cause. The floating debt of the large communes increased from 1,015 millions on March 31, 1929, to a total of 1,444 millions on December 31, 1929, practically all of which is reported to have been contracted within Germany.

In addition to the public debts included in the table, the communes with 100,000 or more inhabitants are reported to have taken up credits out of public funds to a total of 346 millions on December 31, 1929, as compared with 310 millions on March 31, 1929. About one-half of these credits was granted by the Reich and the States, and about one-half was obtained from rent tax funds.

VII. German Credit Conditions and the Currency.

The German economy during the past year has had to contend with many disturbing forces, some of them purely internal, as, for example, the state of the public finances; others mainly due to the suspense and uncertainty attending the long discussions over the complete and final settlement of the reparation problem; and still others, world-wide in their effects, including first the strong movement of funds away from Europe during most of 1929, and then the sharp decline of commodity prices and the general recessions in production and trade during recent months. In the face of these difficulties, the German economy as a whole has succeeded in maintaining its essential stability, and in some very important directions it has shown new strength and self-reliance. Some of the disturbing elements have now run their course, and with the coming into force of the Young Plan there enters a new factor of stability and confidence. But other adverse factors, such as the state of the public finances and the general depression of trade, still remain, and their effects are to be seen in a somewhat diminished volume of business in Germany and in the high level of unemployment which prevails.

Before dealing in detail with the results of the period, it is interesting to review in broad outline the changes in business and credit conditions which have taken place since the end of 1928. At that time, it will be recalled, the available figures showed that normal forces had again asserted themselves in many departments of the German economy, giving evidence of underlying stability and of a broader and sounder basis of credit. There had already occurred, however, an event of considerable importance, namely the November, 1928, lock-out in the Rhenish-Westphalian steel and iron industry, which accelerated the seasonal rise in unemployment and affected indirectly the activity of other industries. In the early months of 1929, the effects of the lock-out were aggravated by weather of unprecedented severity, which brought seasonal unemployment to the highest level reached up to that time and restricted both the output and distribution of goods. But with the coming of spring there was a prompt rebound and by midsummer the shortages of the winter months had been largely made up. In some particulars, notably in heavy industry, the volume of production reached a higher level than at any previous time, and from April to November, 1929, the general index of production stood well above the average of the two previous years. During the late autumn a recession developed in many branches of industry and trade, which was carried somewhat further in the early months of 1930. But taking the year 1929 as a whole, the figures show that the physical volume of production and trade was slightly larger than in 1927 and 1928, both years of large business activity.

The outstanding commercial development of the year 1929 was the further growth of the export trade, with the result that the value of goods exported finally overtook and slightly exceeded the value of imports, and this without any reduction from the previous year in the volume of raw materials imported for the use of German industry. The value of exports has been increasing since

1925 at an average rate of about 1,000 million reichsmarks a year, but heretofore, except in 1926 when imports were seriously curtailed, exports had still remained below imports. This deficiency in the merchandise trade balance has been one of the major causes for Germany's dependence in previous years on foreign credit, and its disappearance in 1929 was of primary importance because it diminished the degree of that dependence. In the first quarter of 1930 the vitality of the export trade has been well maintained.

The continued growth of exports, which itself had much to do with maintaining the volume of production during 1929 at a high level, reflects among other things the results of the laborious process of rationalization and consolidation which has been under way ever since 1925. The efficiency now attained has reduced costs of operation, and reorganization generally has greatly increased the capacity of German industry to compete in foreign markets. In recent months consolidations or intimate working agreements have been effected in banking and shipping, which correspond in their practical consequences to the earlier combinations in the steel, potash and chemical industries.

A factor only less important than the growth of exports in bringing German foreign trade into balance in 1929 was the greater productivity of agriculture, the effect of which, coupled with the lower prices paid for foreign grains, was to reduce the value of imported foodstuffs. But the same conditions added seriously to the difficulties of agriculture, which were already pressing, particularly in some sections, because of the heavy burden of interest on debts incurred in previous years. The situation in the district east of the Elbe has been acute for some time, but the further decline in the prices of agricultural products that occurred over the turn of the year 1929-30 intensified the difficulties of agriculture as a whole. The special measures for the relief of agriculture, including the increased duties recently imposed on agricultural products and the other measures which the Government has under consideration, have been followed by an improvement in domestic grain prices, but they have raised at the same time questions of far-reaching importance for the business and commercial policy of Germany. On the other hand, it seems clear that the possibilities of rationalization are by no means exhausted, and that much can still be accomplished not merely in the development of intensified forms of agriculture but also through technical improvements in the methods of distribution and the organization of agricultural credits.

In the field of credit, the German money market in 1929 was confronted with unusual difficulties on both sides, the side of supply and the side of demand. In each previous year since stabilization foreign credits at long or short term had flowed into Germany in great volume. But in 1929, owing to conditions at home and in the international money markets, the amount of fresh credit from abroad was much reduced. The total of long-term loans for the year fell to about one-fifth of the former amount, and the net growth of short-term credit of all sorts appears also to have been much reduced.

The special factors operating to restrain the flow of credit into Germany during 1929 centered on three principal developments,—the great speculative activity prevailing on the New York Stock Exchange, which until the autumn drew funds from all over the world and restricted the market for fixed-term investments of all sorts; the restraints exercised by the Reichsbank on the use of foreign credit at both long and short term; and the negotiations for the complete and final settlement of the reparation problem, which extended over the entire year. The most acute phase of the reparation negotiations passed in May, 1929, when it became clear that the Committee of Experts was about to reach an agreement, but in the earlier period of suspense, as appeared from the last Report, an immense amount of liquid funds had been withdrawn from the German market. Later in the year the return flow of funds somewhat more than made up for this loss, but the recurrent waves of uncertainty with respect to the final settlement and the controversies incidental to it discouraged both the long-term borrower and the long-term lender.

The demands made on the money market during 1929 were also exceptional. Until September, for example, the reparation charge was running at the rate of 2,500 million gold marks a year, the full amount fixed under the Dawes Plan for the standard Annuity, and reparation payments were thus being made at a level 750 millions higher than in any previous year of the Dawes Plan and higher, indeed, than will be required in any year under the Young Plan. Beginning with the month of September, under The Hague Protocol of August 31, 1929, reparation transfers were, in effect, placed on the reduced basis provided in the Young Plan. Another demand, effective during the whole year 1929, was for interest and sinking fund payments on debts incurred abroad, which stood at the largest figure up to that time, reflecting, of course, the rise in German foreign indebtedness during previous years. At the same time the money market had to support a volume of housing construction somewhat larger than in previous years, and to provide funds to carry a high average volume of production and trade. Finally, the public authorities, by reason of their urgent demands for credit, exerted greater pressure than ever before on the money markets. This pressure was most acute in the final months of the year, when for a time the uncertainty as to the position of the public finances overshadowed the entire business situation and the Government of the Reich was obliged to take emergency measures for the purpose of meeting its year-end requirements.

The pressure thus exerted on the money markets from all sides had its natural consequence in high money rates, and except for the first quarter of the year, interest rates ranged higher in 1929 than in any of the preceding three years. In April and May, during the period of suspense over the outcome of the Paris Conference, money rates reflected a temporary crisis of confidence, and this was followed by a brief period in which the Reichsbank was obliged to return to the policy of credit rationing. But even after these special influences had passed representative rates ranged from midsummer onwards to the end of the year from half a point to as much as two

points above the rates prevailing in corresponding seasons of 1927 and 1928.

During the first few months of 1930, consistently with the ease of money which has developed in other important markets, rates for short-term loans have rapidly declined. At the end of April the Reichsbank rate stood at 5 per cent, a level touched only once before since stabilization and $2\frac{1}{2}$ points below the rate of last summer. Long-term rates, as expressed in the yield of standard bonds at current market prices, have also declined though much more moderately. These lower rates for money are of unquestioned benefit to the German economy at large, but it should not be overlooked that the decline thus far has been mainly a reflection of lower rates in other markets. The margin by which representative rates in Germany exceed rates in other important centers is still about the same as during the whole second half of 1929, and it was only during April that any narrowing of the spread began to appear.

Largely by reason of the improvement in the balance of trade and the higher money rates prevailing in Germany as compared with those in other principal markets, the reichsmark has stood ever since June, 1929, as one of the strongest currencies in the world. Indeed, its strength in the foreign exchanges has been such that before the end of March, 1930, the gold and reported devisen reserves of the Reichsbank had somewhat more than recovered the losses incurred in the period which culminated in the crisis of May, 1929, while at the end of April the total reserves, reported and unreported, are understood to have been somewhat higher than at any previous time.

From the broad outlines drawn in the foregoing paragraphs it appears that the German economy during the larger part of the year 1929 had to deal with exceptionally difficult credit conditions. Nevertheless, the physical volume of production and trade, taking the year 1929 as whole, was slightly larger than in the best preceding year, and the volume of goods exported considerably exceeded the exports of former years. The tendency of domestic business toward the end of 1929, however, was downward, and this period of slackness has in the main continued through the months covered by the latest available figures, coinciding with the depression in business elsewhere in the world. In short, German industry and trade have shown remarkable resistance during all this period to adverse and sometimes critical influences, and only late in the period have definite signs of recession appeared, in harmony with similar conditions in other countries.

Many of the difficulties which proved most disturbing in 1929 are already passed or have been much mitigated. The high cost of credit the world over, for example, has given way at least for the time being to an unusually low international interest rate. This development is of special importance to Germany, which must still have recourse, though doubtless to a diminishing degree, to foreign markets for marginal amounts of capital. The advantage thus derived from low interest rates goes hand in hand with the benefit Germany obtains from the decline that has taken place in the prices of the raw materials which she has to import for the use of her industries. As an importer of credit and of raw materials, a

decline in prices works directly to reduce the cost of manufacture and of doing business generally.

The final agreement reached at The Hague on January 20, 1930, which took the form of German law on March 13, 1930, removed the uncertainty as to the amount of the reparation obligations and brought to an end the suspense that had attended the course of the reparation negotiations. This feeling of suspense, and particularly the agitation that continued up to the very end over various phases of the settlement, dampened business enterprise and introduced an element of hesitation and doubt into German credit and business conditions. The removal of the reparation question from the field of political controversy was one of the principal contributions of the Dawes Plan to the reconstruction of Germany, and the final settlement of the whole problem under the Young Plan, with the lifting of foreign controls and the substitution of a certain for an uncertain obligation, coupled with the large reduction in the annual financial burden, should prove a most constructive factor in the development of German economic life.

Other factors remain, which have a restraining influence. The recent decline in business activity in other important countries of the world and the general fall in commodity prices provide elements of uncertainty which serve to restrain business recovery in Germany, as well as abroad. In addition, within Germany itself, basic unemployment remains a stubborn problem, and agriculture in large sections of the country finds itself in a difficult position. At the same time, the disorder in the public finances continues to be one of the most serious factors of disturbance in the entire situation, and it remains the chief problem still to be settled. Its effects have been manifested in many directions, not the least of which is the influence it exerts on the cost of credit. A considerable part of the margin by which interest rates in the German market exceed those in the international markets is attributable to the public authorities, whose requirements in the shape of taxes and loans limit the accumulation of investment funds and raise the cost of money to private borrowers, and at the same time seriously interfere with the efforts of German business and industry to readjust themselves to the changed conditions of world prices and world trade. This handicap can only be removed by internal measures of financial reform, and until these have been taken the position of the public finances will remain one of the principal obstacles to the economic progress of Germany.

a. Demand for Credit and the Supply.

Before proceeding with the detailed study of the numerous factors of supply and demand which have entered into the German credit situation during 1929 and the first few months of 1930, it is useful to point to two developments which distinguish the period from any preceding it. One is the growth of exports to the point of equilibrium in the trade balance, with imports at a high level, and the other is the decrease in the volume of foreign borrowing.

It is possible, of course, to establish a relationship between these two developments only indirectly, through the German money market as a whole. Converging on the German money market, regarded as a unit, are all the demands from whatever source, such

as the innumerable and varied demands for funds at both long and short term for purely domestic purposes, as well as the demands for funds ultimately finding their way abroad. The latter include funds utilized to make reparation transfers, to pay for imported goods, to pay interest on foreign debt and so on. All of these several demands taken together exert pressure on the market for the funds available in it. On the other side, that is, the side of supply, funds accumulate from the export of goods abroad and from domestic sources, through savings or otherwise, and if these are not sufficient to balance the sum total of the demands, the latter are restricted, or funds are attracted from abroad, or both.

During 1929, as has already been indicated, the German money market was subjected to demands which in several directions were exceptionally large. Yet for reasons which will presently appear in detail, the supply of foreign funds available to the market in the shape of loans and credits was much reduced as compared with previous years. The market was thus faced with a shortage of funds, and in consequence encountered certain difficulties, which would have been much accentuated had not access to foreign sources of funds been found through larger shipments of goods. The increase in exports offset somewhat more than 1,000 millions of the decline in loans and credits, and relieved the market to that noteworthy extent. In its broader aspects this result represented a long step forward in the direction of independence of foreign funds as a source of credit.

1. Funds from Abroad.

The limitations on the inflow of foreign funds during the year 1929 were due in part to German banking policy and still more to conditions in the international money markets. The Reichsbank for some years past has exerted its influence against foreign borrowing, and whenever internal conditions permitted has reinforced its influence with its discount rate. For about four months in the spring of 1929, as appears in the next section of this chapter, the Reichsbank's rate stood lower than at any time in the preceding year or more, and other money rates in

Foreign loans (In millions of reichsmarks)	1925	1926	1927	1928	1929	1930 Jan.- April	Totals
Loans of the States	138.6	270.6	267.3	—	—	—	676.5
Provincial or communal loans	256.0	249.5	112.5	237.4	34.5	5.0	894.9
Loans of public and semi- public undertakings							
(a) of the Reich	161.7	25.2	336.0	152.3	—	—	675.2
(b) of the States, pro- vinces and communes	202.8	351.5	205.7	588.3	124.4	179.0	1,651.7
Loans of private enter- prises	472.0	742.0	597.3	529.1	156.1	155.5	2,652.0
Loans of various church organizations	25.1	57.6	4.1	32.1	22.4	8.8	150.1
Totals	1,256.2	1,696.4	1,522.9	1,539.2	337.4	348.3	6,700.4

the German market were at levels consistent with it. Abroad, on the other hand, largely by reason of the great speculative activity on the New York Stock Exchange which drew funds from all over the world, money conditions were more or less strained and the demand for foreign bonds in the principal markets was very narrow. The market for issues of bonds remained limited well up to the end of the year.

The figures shown in the foregoing table for the year 1929 differ but slightly from those for the first six months of the year, as given in the interim Report. Indeed, in the six months from June 30 to December 31, 1929, the new long-term issues placed abroad amounted to less than 50 million reichsmarks, of which 15 millions were for a municipality, 21 millions to a steamship concern and about 12 millions to church organizations. All told, the long-term loans issued abroad for German account in 1929 were hardly more than one-fifth the amount offered in any one of the previous three years. The net increase in the gross foreign indebtedness on that account was probably negligible, after taking into account sinking fund instalments paid on the debt already outstanding. During the first four months of 1930 long-term issues abroad aggregated 348 million reichsmarks, or more than during the whole of 1929. The main issues consisted of one for a private enterprise in February and two for semi-public electrical concerns in March and April. These transactions, however, cannot be regarded as having constituted in any important sense a revival of the foreign market for long-term German loans.

The changes during 1929 in the short-dated debt owing abroad were far more pronounced than in the case of the long-term debt. In the first five months there was a rapid outflow of funds, due in the first instance to the differential in money rates prevailing during the early part of the year, and later to the uncertainty over the outcome of the Paris Conference. During the summer and autumn the current turned the other way, and funds again flowed toward Germany. It is impossible, in the absence of published figures, to state in accurate terms the extent of the decline in short-dated debt during the spring or the extent of the rise during the remainder of 1929. From the evidences available it may be estimated that there was a net increase which may be very roughly placed at somewhere between 800 and 1,200 millions. In the early months of 1930 international money rates still favored a flow of funds into Germany but the extent of the movement is a matter of conjecture. On the other hand, during the past year and more, there appears to have been a considerable flow of funds abroad for the purpose of evading taxation, and, what is tantamount to the same thing, a retention abroad of interest and profits accruing in foreign markets for German account. The amounts involved are, of course, impossible to appraise.

In order to remove some of the existing restrictions placed on capital invested in Germany, whether foreign or domestic, a bill was approved by the Reichsrat on May 2, 1930, and has since been presented to the Reichstag, the intent of which is to permit the Government of the Reich, with the assent of the Reichsrat and a committee of the Reichstag, to reduce or suppress taxes on income

derived from capital and on capital transactions of various sorts. The purpose of any changes in taxes made under this law, according to the official memorandum presented with it, will be to facilitate the investment of foreign funds in German enterprises and to encourage the retention of German capital in the country, as well as the return of domestic capital now invested abroad, and thereby to enlarge and cheapen the supply of credit available for the German economy.

The most recent estimate of the total short-dated debt which has been published with official authority remains that of the Institut für Konjunkturforschung, which was given in the last Report. According to this estimate, the volume of foreign funds in Germany, other than long-term credits, amounted at the end of 1928 to about 8,500 million reichsmarks. This figure was not presumed to be more than an estimate; it represented the accumulated balance of funds, other than the proceeds of long-term loans, moving into and out of Germany, as shown in the balance of payments estimates of the Reich Statistical Office. Out of the total it was estimated that 7,000 millions were in the form of short-term credits. The Institut, it should be added, estimated a decline of 500 millions from the total figure of 8,500 millions during the first four months of 1929, but did not indicate the nature of the reduction.

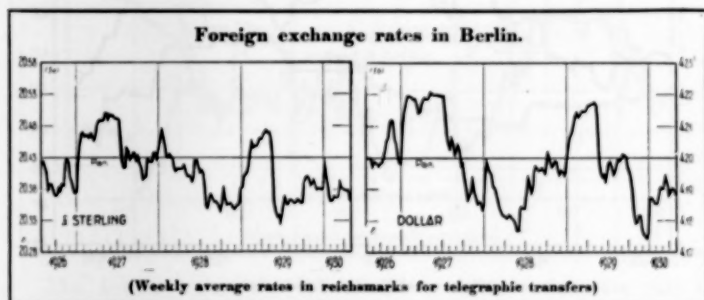
There has been another source of funds from abroad of considerable importance during the past year, though the amount necessarily remains a matter of conjecture. From time to time substantial purchases of shares for foreign account have been made in the German market, offset in part at least by purchases for German account in foreign markets. During 1929 there appear to have been relatively unimportant purchases of shares by foreigners in the open market, but there has been a considerable number of cases where foreign corporations have acquired direct participations in kindred German industries. In some cases these participations have been acquired by an exchange of shares; in others purchases have been made for cash. Sometimes these participations amounted merely to the reestablishment of relations broken by the war; sometimes also they were prompted by the desire of the foreigner to get a foothold in the German market or to utilize a German plant for producing goods for export to neighboring markets; and sometimes the initiative came from the German side as a means of enlarging working capital. A list of the principal new participations in German enterprises during 1929 has recently been published by the Institut für Konjunkturforschung. On the basis of partial data, the Institut came to the conclusion that the total amount involved in such participations during 1929 must have equalled or exceeded the amount of German loans publicly issued abroad, that is, about 350 million reichsmarks. In this estimate, it should be observed, no allowance has been made for German participations in foreign enterprises.

The consideration of the economic effects of foreign borrowing belongs to preceding years rather than to the present, and the discussions given in previous Reports are not repeated here, except by way of referring to the general function which foreign funds have performed. Without reference to the specific purpose which any

particular loan was intended to serve, it is clear that foreign credits as a whole have greatly accelerated the process of German reconstruction, by providing essential funds at a time when the German economy was not yet strong enough to provide them for itself. The proceeds of foreign loans, upon entering into the German economy, supplied the material out of which German labor and enterprise could create new and larger domestic values, and in the four years of active borrowing, considering conditions at the start and the funds then available, there took place a growth of trade and an extension and renovation of plant such as had not been equalled in any previous period of equal length. The sound character of that growth depended, of course, primarily on the magnitude of the supplemental values created, and secondly, upon the capacity of those values to earn a return in excess of the cost of the borrowed funds. Taken as a whole, and without reference to any individual loan, there is no reason to doubt that the new values created in Germany during the period of the Dawes Plan have aggregated several times the amount of the foreign debt incurred. This was manifest a year ago, and the experience of the past year, when the inflow of funds has been reduced to small proportions, amply confirms this conclusion.

2. Foreign Exchanges and Interest Rates.

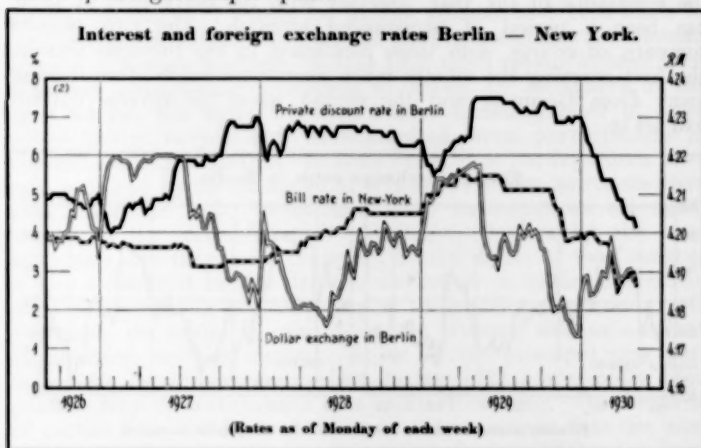
The first five months of 1929 formed a period when the reichsmark showed pronounced weakness in the foreign exchanges, but the remainder of the year, together with the early part of 1930, has been a period of pronounced strength. The two periods compare, of course, with those mentioned in the previous section, the first covering the months when short-time funds were flowing away from Germany and the second when the reverse current had set in.



Up to the close of the first quarter of 1929, under the influence of the relatively low Reichsbank rate and market rates corresponding with it, the foreign exchanges responded to ordinary economic forces and there was a substantial outflow of funds, reflecting the more profitable use to which money could be put in other markets. In April, 1929, however, forces of another nature intervened to depress the reichsmark still further and to cause very large withdrawals of gold and devisen from the Reichsbank. These forces had their origin

in the suspense incident to the work of the Experts' Committee in Paris, and in the doubts which arose in the second half of April as to whether the Conference would succeed in reaching a positive result. Foreign bankers showed more and more disinclination to buy German bills, and late in April there developed some disposition to withdraw deposits then subject to call and to give notice with respect to time deposits. Within Germany a tendency was manifested to convert domestic balances into foreign funds and to postpone the bringing home of balances accruing abroad. There was anxiety to cover open commitments in foreign currencies; and for the first time since stabilization became effective in 1924, some nervousness showed itself with respect to the stability of the currency, and a demand developed among people of small means for notes in foreign currencies. These were quoted for a time at a premium over the rates for telegraphic transfer.

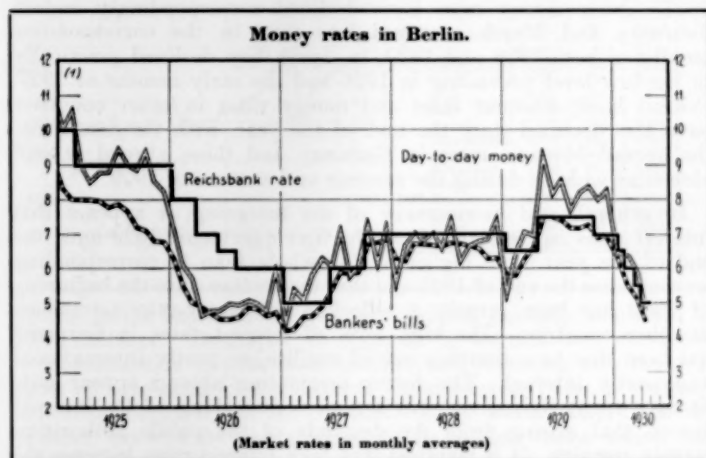
The Reichsbank freely met the demands for foreign exchange as they were made, but it was not until April 25, 1929, that it raised its rate from $6\frac{1}{2}$ per cent (where it had stood since January 12th) to $7\frac{1}{2}$ per cent. Subsequently, the Reichsbank took other measures to protect the exchange which are described in the next section. By the middle of May the turning point had come at the Paris Conference, and this gave strong support to the Reichsbank's protective measures. The exchange strengthened rapidly and on May 25, 1929, for the first time since the end of December, 1928, the dollar was quoted below par with the reichsmark, and sterling declined to the computed gold import point.



From the last week in May, 1929, up to the present, with very rare exceptions, the reichsmark, as measured by its position in the foreign exchanges, has been one of the two or three strongest currencies in the world. The preponderant reason, of course, has been the high level of interest rates in Germany as compared with those prevailing in other markets, but the improved balance of trade has also been a factor of great importance. The foregoing diagram, showing interest and foreign exchange rates Berlin-New

York, illustrates only one interest rate in each of the two countries, a rate which is nearly though not absolutely comparable between the two markets, and is perhaps the least subject to fluctuation of all open-market rates currently quoted. It will be seen that as a rule, whenever the margin has widened between the Berlin rate and the rate in New York, the value of the dollar in terms of reichsmarks has tended to fall; and, on the other hand, whenever the margin has narrowed, the value of the dollar has tended to rise. It should be understood, however, that during most of 1929, up to the time in October when the intense speculative activity on the New York Stock Exchange came to an end, the rate in New York which exerted the most potent influence was that for Stock Exchange call loans. The fluctuations in this rate ranged in the spring between 6 and 20 per cent, and in the summer between 6 and 15 per cent; it was not until October that it fell below 6 per cent.

The high level of money rates abroad, for which the rates current in New York were the principal moving cause, made it necessary for the Reichsbank, if it was to recover the gold and devisen reserves lost in the spring, to maintain its discount rate at $7\frac{1}{2}$ per cent until November 2, 1929, and other money rates in Germany also remained high.



The action which the Reichsbank took to reduce its rate on November 2, 1929, was a recognition of the change in the international level of interest rates, and also of the fact that the position of the Reichsbank in respect of both the amount of its reserves and the demand for its credits had become much easier. The reduction, which was by half a point, left the discount rate at 7 per cent. The Federal Reserve Bank of New York had reduced its rate at the end of October from 6 to 5 per cent, and in November made a further reduction to $4\frac{1}{2}$ per cent. The Bank of England lowered its rate in successive half-point stages from $6\frac{1}{2}$ to 5 per cent, and a number of other European central banks made one or

two reductions from the high rates previously in effect. In consequence, the spread between rates for money in Germany and those prevailing in important foreign markets was broader in the final weeks of 1929 than at any time in nearly two years, contrasting with the narrowness of the spread at the close of 1928 and during the early months of 1929.

The very moderate reduction at the beginning of November brought the Reichsbank rate to the same level as a year before, but rates in the open market averaged from half a point to one point higher than in the previous year. The special factor exerting pressure on the market was the immense volume of demands from the Reich, the States and the communes, which reached something of a climax as the turn of the year approached.

In the first few weeks of 1930, consistently with the usual easing of money at that season, there came a decline in money rates which has been carried well beyond the period when a counter-movement usually takes place. The Reichsbank, in recognition of this tendency and of the strong foreign exchange position of the reichsmark, has made four further reductions of one-half point each in its discount rate,—on January 14, 1930, to 6½ per cent, on February 5th to 6 per cent, on March 7th to 5½ per cent, and on March 25th to 5 per cent, thereby establishing the rate at the lowest level since 1927. Other money rates have declined correspondingly and in February and March averaged less than in the corresponding months of both 1928 and 1929; in April they declined practically to the low level prevailing in 1926 and the early months of 1927. Central bank discount rates and money rates in other countries have also declined since the turn of the year, with the result that the spread between rates in Germany and those abroad is still almost as wide as during the summer and autumn of 1929.

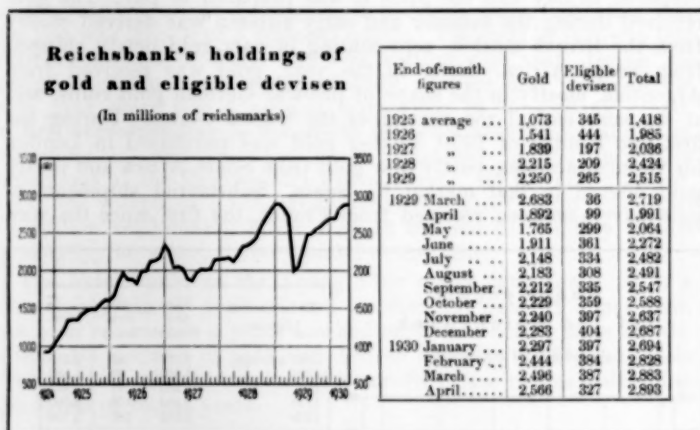
In general, and in summary of the foregoing, it appears that interest rates in Germany from the first quarter of 1929 until the end of the year were higher on the whole than in corresponding seasons since the end of 1925 and that the decline since the beginning of 1930 has been largely a reflection of money-rate movements in other countries. The high level of interest rates in Germany has been due to a complex set of conditions, partly international and partly internal. The forces originating abroad appear now to have spent themselves, but the most disturbing of the internal forces, that arising from the demands of the public authorities, largely remains. It is manifest that high interest rates increase the cost of every business transaction involving the use of credit and thus operate as a direct burden on the development of the economy. There can be no doubt that in this way the disorder in the public finances has had a restraining effect on business and that it would give great relief to the whole structure of credit and business if effective measures of reform were to be taken.

3. Reichsbank Reserves and Credit.

The forces already described have produced important changes in the volume of the Reichsbank's reserves and in the amount of Reichsbank credit employed. The period when these forces had their most

acute effect centered on the month of May, 1929, when the reserves fell to the lowest point since the middle of 1926 and the volume of Reichsbank credit in use rose to the highest point since stabilization.

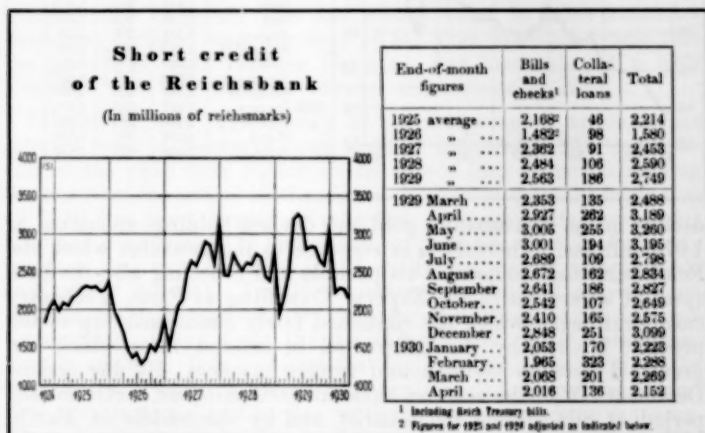
In the first weeks of 1929 the Reichsbank's stock of gold and devisen eligible for reserve against notes showed a slight rise, thereby continuing the movement which had proceeded with great vigor during most of 1928. On January 23, 1929, the reserves stood at 2,893 million reichsmarks, the largest total up to that time on any reporting date since stabilization and a figure not to be attained again for more than a year. From the end of January, 1929, onward to May 7, 1929, there was a progressive decline, which was greatly accelerated toward the end of the movement. Without counting supplementary amounts of devisen taken from its unreported stock (which includes among other items foreign bills of maturities longer than are legal for currency reserves), the



decline in the Reichsbank's gold and devisen holdings amounted to 1,074 millions. Thereafter, in response to the measures which the Reichsbank took to protect its position and reflecting also the prospect of agreement in the Experts' Committee at Paris, a contrary movement began which has continued fairly consistently up to the present, favored by the differential in interest rates which has prevailed between German and foreign markets. By the end of December, 1929, the reserves stood at 2,687 millions, a rise for the period of 868 million reichsmarks, and by the middle of March, 1930, the loss incurred during the preceding year had been fully recovered. Since that time, gold reserves have continued to increase while reserves of reported devisen have been reduced, and as a consequence total reported reserves have shown little change. This leaves out of account any changes which may have occurred in the devisen not reported in the periodical condition statements of the Reichsbank. But according to its annual report, the Reichsbank's stock of such devisen on December 31, 1929, stood at 409 millions, somewhat higher than the year before, and there are

indications that the unreported holdings have since been increased, in order to obtain the benefit of the higher yield that can be secured from bills of longer maturities.

During the period of decline in the spring of 1929 the Reichsbank sold *devisen* to the market freely upon demand. Its sales of gold, made for the purpose of replenishing its holdings of *devisen*, the Reichsbank carried out on its own account in the main European and overseas financial markets. These sales had the practical result of preventing the purchase and shipment of gold from Germany on private account. During the subsequent period of rise, the Reichsbank both bought *devisen* when offered at favorable rates and purchased gold when the latter was delivered to it at its main office in Berlin or at any of its branches. As a matter of financial practice, the Reichsbank reserved to itself full discretion as to the amount of *devisen* it was prepared to buy and the price it was prepared to pay. The gold received during the summer and early autumn was derived chiefly from the British market, representing in part gold newly shipped from South Africa. Later in the year, gold was received from Argentina, mostly in the shape of pre-war German gold coins, and at the very end of the year from the United States. During the first five months of 1930, further gold was purchased in London for German account, partly new gold from South Africa and partly gold offered in that market by Spain. Substantial shipments of gold have also been received from France, the first since the war.



The volume of Reichsbank short credit outstanding at the end of May, 1929, was larger than at any time since stabilization, as appears in the foregoing diagram and table. The figures given are the sum of three items currently shown in the Reichsbank statement, namely bills and checks, Reich Treasury bills, and collateral loans. For the period up to the middle of 1926 the figures have been adjusted, as explained in previous Reports, on such a basis as to afford a fair comparison with the figures of later dates.

In addition to the pressure which its $7\frac{1}{2}$ per cent discount rate exerted on the volume of credit, the Reichsbank for a brief period in May and early June, 1929, resorted to the emergency measure of rationing credit, a means which it had employed in the period of recovery from the inflation and had found to be effective. By the middle of June, when conditions had reassumed a more normal aspect, the Reichsbank was able to abandon this measure. From then on, with the inflow of gold and devisen from abroad, the volume of short credit declined month by month, until by the end of November the total was some 700 millions less than in May, though still somewhat higher than at the end of November, 1928.

During the last weeks of 1929 there appeared to be some probability that the year-end settlements, complicated by the additional requirements of the Reich for funds in the amount of about 400 million reichsmarks, would lead to a new expansion of credit. But the actual increase in the use of Reichsbank credit at the end of the year was about the same as in previous years, indicating that the rise was largely of a seasonal nature. The total in fact was less than at the end of 1927, and was smaller also than during the period of strain in the spring of 1929. In the first weeks of the new year there was a prompt liquidation of Reichsbank credit, at first corresponding in volume to that of a year before and later exceeding it, and this has been recognized in the successive reductions of the Reichsbank's discount rate. At the end of April, 1930, the volume of Reichsbank outstanding short credit was about 70 million reichsmarks lower than at the end of January, which is usually the seasonal low point for the year.

The Reichsbank, as the Young Plan comes into force, is in a remarkably strong position, and its discount rate, at 5 per cent, has been reduced to a point touched only once before since stabilization. Its reserves of gold and devisen stand at the highest levels ever reached, and the amount of its credit in use ranges well below the levels of recent years.

4. Public Credit.

The change in the position of the public authorities from large lenders to large borrowers has been a fundamental element in German credit conditions. As will be recalled from the Reports during the first three years of the Dawes Plan, there existed up to the middle of 1927 a more or less acute problem centering on the administration of the large funds at the disposal of the public and quasi-public authorities. These funds were frequently so invested and managed as to counteract Reichsbank policy and they were a fertile source of encouragement for programmes of public spending. This phase passed as spending exhausted the free balances and the Reichsbank was able to extend its authority. In place of it came a new phase, that of severe pressure on the credit market by reason of the immense demands of the public authorities for loans.

As has been seen from the extended discussion in the chapters on the German budget and the public debt, the Reich, the States and the communes with over 10,000 inhabitants have incurred since stabilization (up to September 30, 1929) nearly 7,100 million

reichsmarks of funded debt and about 4,800 millions of floating debt. Of these amounts, the figures show that about 2,400 millions of funded debt and about 2,700 millions of floating debt were incurred in the eighteen months from March, 1928, to September, 1929. Figures for December 31, 1929, which are available only for the Reich, the States and the communes of 100,000 or more inhabitants, show a further increase in the debts of these groups of authorities, in the three months since the end of September, of about 150 millions in the funded debt and about 850 millions in the floating debt. Taken by themselves and without further comment, the mere size of these figures goes far to explain the strain on the credit markets and the spread of interest rates in Germany above those prevailing in foreign financial centers.

It is, of course, the floating debt which has produced the greatest difficulties. Efforts to convert it into long-term debt have crowded the investment markets, and again and again have stifled them before they were able to acquire any reserve strength. Moreover, the rapidity of its growth, particularly during 1929, has put severe pressure on the entire credit system. Nominally this unfunded debt is short-dated, but much of it is short only in the sense that it is awaiting some future opportunity for conversion. In default of conversion, which its very size and growth have tended to prevent, it backs up as a burden on the banks and the other sources of short credit.

High interest rates operate to restrict commercial borrowing by making it more expensive and thus less profitable. But the same rule does not work with anything like the same efficiency in the case of public borrowing. Only in the long run, when high fixed charges become a burden on the tax budget, does the rate exert a direct pressure on the use of credit by the public authorities. Some communes during the autumn of 1929 appear to have paid from 11 to 14 per cent interest on loans of nominally short duration. Long-term bonds offered by representative German cities in the course of 1929 frequently carried an effective yield of $9\frac{1}{2}$ to $9\frac{3}{4}$ per cent. The effect of such rates, of course, was to establish a competition for funds which private borrowers, dependent upon profits for the means of paying the service of loans, could not meet.

There is no occasion, in view of what has been said in preceding chapters, to outline the measures which have been taken or which may be in prospect for dealing with the short-dated debt of the public authorities. This overhanging volume of debt remains one of the most pressing problems not merely of public finance but of the credit markets; and just as the rapid growth in the floating debt has been the factor which strained credit most in the past year, so would an effective programme for its reduction relieve the German credit situation as a whole.

5. Banking and Other Short-term Credit.

The pressure which the weight and immobility of the short-dated debts of the Reich, the States and the communes have exerted on the short-term credit market has been assuming cumulative importance

since 1927. In addition, there have been periods of acute tension from other causes, as for instance in April and May, 1929, when funds were flowing away from Germany during the uncertainty as to the outcome of the meeting of the Experts for the final settlement of the reparation problem.

In preceding years, the increase in the volume of credit reported by the leading German banks has been more or less directly associated with an inflow of funds from abroad. In 1929, as has already been observed, foreign funds were scarce; during the first five months of the year the flow of short-term funds was away from Germany, and taking the year as a whole, the net inflow of such funds was apparently much smaller than in previous years. Accordingly, more than at any time in the past three years, the German banks during 1929 had to rely upon domestic resources for their capacity to increase the volume of credit.

The following table gives the latest available data, with comparable figures for previous dates, as reported by certain large private banks which as a group represent about three-quarters of the total private banking strength of Germany. The number of banks whose figures are included in the table was reduced from six to five early in 1929 by the amalgamation of the Commerz- und Privatbank and the Mitteldeutsche Creditbank, and again to four in the autumn of 1929 by the amalgamation of the Deutsche Bank with the Disconto-Gesellschaft, with which were incorporated at the same time four smaller institutions formerly related to one or

Large private banks (In millions of reichsmarks)	Jan. 1, 1924	Dec. 31, 1927	Dec. 31, 1928	Dec. 31, 1929	March 31, 1929	March 31, 1930
<i>Assets</i>						
Cash, amounts due from clearing banks and banks of issue	118	358	410	382	231	219
Amounts due from banks and bankers	527	1,108	1,278	1,171	1,240	1,024
Bills and treasury notes ..	51	2,001	2,732	2,809	2,661	3,018
Advances on merchandise ..	76	853	1,527	1,728	1,567	1,664
Advances on stocks and bonds	21	577	709	495	655	505
Sundry loans, total	580	4,059	4,629	5,207	5,067	5,724
(a) on stock exchange securities	—	—	1,234	1,291	1,209	1,367
(b) other	—	—	3,395	3,916	3,858	4,357
Bank buildings	181	181	183	183	176	183
<i>Liabilities</i>						
Capital stock	452	527	527	520	505	520
Reserves	189	267	278	295	288	295
Deposits	1,187	7,462	9,091	9,349	9,175	9,630
Customers' credits with other banks	—	692	1,328	1,625	1,317	1,596
Acceptance liabilities	2	433	458	473	475	470
Long-term liabilities	—	189	189	189	189	189

the other of them. The figures of the four smaller banks for earlier dates have been introduced into the above table and thus it is not precisely comparable with similar tables printed in previous Reports. Figures are now currently reported by certain other large banks but are not available for earlier years and therefore are not included in this compilation.

In the year 1929 deposits of the reporting banks covered by the table showed an increase of about 260 million reichsmarks, as compared with increases in the years 1928 and 1927 of about 1,630 millions and 1,320 millions, respectively. The increase during 1929 was not spread evenly through the year. During April and May there was a rapid decline in deposits, reflecting the suspense over the outcome of the Paris Conference. The subsequent upward movement did not fully compensate for this decline until nearly the end of the year.

Another item on the liability side of the account gives some measure of the reliance on foreign credit for the purpose of carrying goods in process of distribution. This item, listed as customers' credits with other banks, represents acceptance credits granted by foreign banks to German firms through the medium of German banks. It increased during 1929 by about 300 million reichsmarks, as compared with an increase of about 630 millions in 1928.

Up to the end of 1928 the volume of treasury notes of the Reich and the States held by the banks had not been in large amounts. On December 31, 1928, the combined item representing bills and treasury notes amounted to about 2,730 millions, of which less than 150 millions consisted of treasury notes. On December 31, 1929, the combined item stood at about 2,810 millions, of which 380 millions consisted of treasury notes. It follows from these figures that the banks' holdings of commercial bills declined slightly during the year, whereas their holdings of treasury notes, in consequence of the pressure for credit from the public authorities, increased by about 150 per cent.

The other changes among the assets of the banks are self-evident except in one or two particulars. The decline in the item representing amounts due from banks and bankers is largely due to the consolidation of the Deutsche Bank and the Disconto-Gesellschaft, which had the effect of eliminating inter-bank deposits between the several banks. The only other item which showed any marked decline during the year was the item representing advances on stocks and bonds, chiefly loans to brokers. This decline reflected the prevailing inactivity of the share markets.

In the first three months of 1930, the statements of the banks included in the table have reflected the easier conditions prevailing on the money market. Deposits showed an increase of 280 million reichsmarks, or more than in the entire year 1929, and on March 31, 1930, reached a record figure of 9,630 millions. Customers' credits with other banks, together with its corresponding asset item, advances on merchandise, declined slightly, reflecting in part seasonal influences and in part the general recession in trade. Corresponding to the growth in deposits, the banks' loans

and advances, including those on stock exchange securities, also increased. Their holdings of treasury notes continued to increase and at the end of March, 1930, amounted to over 610 million reichsmarks, while holdings of commercial bills showed a further slight decline.

The following tables show combined statements for 21 State and provincial banks, the chief one of which is the Prussian State Bank or Seehandlung, and 17 Girozentralen, the central institutions

Twenty-one State and provincial banks including Seehandlung (In millions of reichsmarks)	March 31, 1928	March 31, 1929	June 29, 1929	Oct. 31, 1929	Nov. 30, 1929	March 31, 1930
Cash and amounts due from banks and bankers	374	647	428	383	421	447
Bills and treasury notes	467	408	450	399	389	568
Loans and advances, total	1,631	1,844	1,922	1,884	1,876	1,741
(a) on stock exchange securities	256	274	246	243	240	245
(b) other	1,375	1,570	1,676	1,641	1,636	1,496
Long-term loans	903	1,447	1,514	1,596	1,608	1,683
Deposits	2,538	3,067	3,004	2,885	2,907	2,982
Long-term liabilities ..	941	1,378	1,406	1,456	1,468	1,542

through which the various savings offices and communal banks are inter-related. End-of-year statements for these banks are not published. The compilation for March 31, 1930, differs slightly from those for earlier dates, as one relatively small provincial bank has recently been amalgamated with one of the Girozentralen.

Seventeen Girozentralen (In millions of reichsmarks)	March 31, 1928	March 31, 1929	June 29, 1929	Oct. 31, 1929	Nov. 30, 1929	March 31, 1930
Cash and amounts due from banks and bankers	469	630	313	339	383	449
Bills and treasury notes	168	244	154	129	129	221
Loans and advances, total	832	1,104	1,157	1,142	1,101	1,170
(a) on stock exchange securities	70	70	102	92	87	68
(b) other	762	1,034	1,055	1,050	1,014	1,102
Long-term loans	1,169	1,902	1,932	1,951	1,953	2,072
Deposits	1,630	2,157	1,832	1,805	1,820	2,038
Long-term liabilities ..	1,047	1,788	1,788	1,806	1,802	1,915

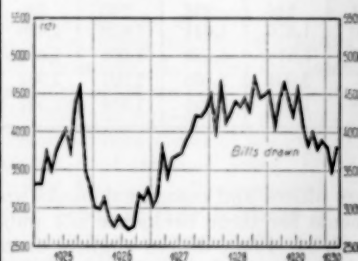
The principal change in the statements of the public banking institutions during the year ending March 31, 1930, relates to their long-term loans, which rose somewhat more than their long-term liabilities. Deposits of both groups of banks declined during the year, as did also their cash and amounts due from banks and bankers, while their short-term loans and investments taken as a whole showed little change.

It should be noted in connection with the foregoing table, as well as with that for the State and provincial banks, that the reporting system was changed in March, 1928, and that comparative figures before that date are not available.

The volume of bills drawn and circulating in Germany has latterly declined. In part this reduction represents a decline in the prices of commodities, but it may also reflect some falling-off in the number of bills drawn. The following table reproduces figures published by the Institut für Konjunkturforschung.

Bills drawn and in circulation

(In millions of reichsmarks)

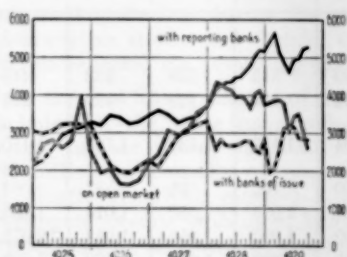


Year and month	Bills drawn ¹	Bills in circulation ²
1925 average	3,755	8,876
1926 "	2,961	7,378
1927 "	3,780	9,455
1928 "	4,388	11,337
1929 "	4,200	11,140
1929 February....	4,014	11,570
March	4,449	11,540
April	4,656	11,750
May	4,392	11,710
June	4,183	11,570
July	4,607	11,430
August	4,073	11,150
September ..	3,807	10,780
October	4,012	10,300
November....	3,763	10,150
December ...	3,891	10,100
1930 January....	3,787	9,910
February....	3,453	9,880
March	3,827	—

¹ Monthly totals. ² End-of-month figures.

Bills in circulation, distribution¹

(In millions of reichsmarks)



End-of-month figures	With banks of issue	With reporting banks	On open market
1925 average	3,135	2,866	2,875
1926 "	2,167	3,341	1,870
1927 "	2,858	3,484	3,113
1928 "	2,677	4,646	4,013
1928 July	2,701	4,485	3,978
August ..	2,787	4,631	3,897
September ..	2,770	4,805	3,655
October ..	2,532	5,056	4,022
November ..	2,450	5,185	4,109
December ..	2,861	5,185	3,750
1929 January ..	1,964	—	—
February ..	2,066	5,641	3,860
March ...	2,536	5,134	3,873
April ...	3,109	4,881	3,778
May	3,171	4,624	3,025
June	3,162	4,934	3,422
July	2,858	4,986	2,510
August ..	2,843	5,221	2,998
September ..	2,812	5,269	2,581

¹ Provisional figures.

During the spring months of 1929, in connection with the withdrawal of deposits from the banks, there was a large movement of bills away from the commercial banks and into the hands of the Reichsbank and the minor banks of issue. Subsequently, as conditions righted themselves, this movement was corrected and the portfolios of the banks increased; but the volume of bills circulating in the open market continued to decline. In the foregoing table, the figures showing bills held by the banks include bills held by numerous institutions in addition to those whose condensed statements have already been given. Figures are not yet available for the period after September, 1929.

The volume of rediscountable Treasury bills of the Reich outstanding during 1929 and the first quarter of 1930 has remained at or near the legal maximum of 400 millions. Up to the spring of 1929, these bills were fairly consistently in the hands of the banks, other institutions and the public except over short periods at the month-end settlements, but during April and May, 1929, a substantial volume came into the hands of the Reichsbank under rediscount. From midsummer until December, the volume of Treasury bills under rediscount rarely exceeded 100 million reichsmarks, but at the end of December the volume so held by the Reichsbank rose temporarily to 241 million reichsmarks, the largest amount reported up to that date. After the turn of the year the Reichsbank's holdings of such bills promptly declined and during the first quarter of 1930 were practically negligible.

The large volume of Reich Treasury bills in the market has had an important influence on the private discount market. The volume of prime bankers' acceptances dealt in at the private discount rate has been estimated at between 800 and 900 million reichsmarks, about twice the amount of rediscountable Reich Treasury bills outstanding. During 1929 the private discount rate, which applies to Reich Treasury bills as well as to prime bankers' acceptances, remained generally close to the Reichsbank discount rate, and during the spring was identical with it. Later in the summer the private discount rate was reduced and at one time was as much as three-eighths of a point below the Reichsbank rate; but in the autumn, after the Reichsbank rate was lowered to 7 per cent, the margin between these rates was never over one-eighth and often the two rates were identical. In the first months of 1930, with the easing of money which then took place, the private discount rate declined until at times it was more than half a point below the Reichsbank rate, and early in May there was a spread of a full point.

6. National Income and the Formation of Capital.

The German national income, according to figures recently published by the Institut für Konjunkturforschung, stood in 1929 at a level of about 70,000 million reichsmarks, that is to say, about 16,000 million reichsmarks, or 30 per cent, higher than in 1925. If allowances are made for the growth of the population in intervening years, and for changes in the general price level, the national income on a per capita basis has risen by about 15 per cent.

This increase illustrates the progress made up to the present, notwithstanding the almost continual shortage of loanable funds and other difficulties, in rebuilding the German economy after the inflation. Considerable as this progress has been, the level of the per capita income of 1913 has not yet been reached. The Institut has calculated the index figure for that year, which takes account of changes in prices and population, at 120 as compared with 100 in 1925 and 115 in 1929.

German national income (In 1,000 millions of reichsmarks)	1925	1926	1927	1928	1929
Agriculture.....	3.2	3.3	3.5	3.4— 3.6	3.4— 3.6
Trade and industry	11.7	11.7	12.9	13.0—13.2	13.1—13.3
Rents	0.5	0.6	0.7	0.8	0.8
Income from capital.....	1.4	1.5	2.2	2.8	3.3— 3.4
Pensions	1.6	1.9	2.2	2.6	2.6— 2.7
Wages and salaries	34.9	35.5	38.8—39.4	43.6—44.1	44.5—45.5
Total of private income...	53.3	54.5	60.3—60.9	66.2—67.1	67.7—69.3
Income earned by public undertakings	1.0	1.7	1.7— 1.9	1.8— 2.5	1.8— 2.5
Total....	54.3	56.2	62.0—63.0	68.0—70.0	69.0—72.0
Per capita income(in reichs- marks)	870	895	980—1,000	1,070—1,100	1,080—1,125

The foregoing table, which reproduces the estimates prepared by the Institut für Konjunkturforschung, is the first detailed estimate of the national income which has issued from any official source since the Dawes Plan went into effect.

The increase from the level of 54,300 millions in 1925 to a level around 70,000 millions in 1929 has been spread through each one of the seven categories given in the table. The preponderant item, both in total now reached and in the increase since 1925, is that covering wages and salaries, which show a rise of about 11,000 millions in the five years. Income from these sources in 1929 comprised 64 per cent of the national income as compared with less than 50 per cent in 1913.

The second most important category, that of trade and industry, represents the income derived by proprietors, both individual and corporate, from their respective undertakings, but does not include dividends on shares of stock. Except for a moderate increase in 1927, a year of rising prices and large business activity, there have been comparatively slight changes in the annual figures, which in 1929 stood about 13 per cent higher than in 1925. A partial explanation is to be found in the expansion of an associated category, that covering income derived from the ownership of capital. This category includes income derived as dividends and interest on securities (except for amounts going abroad or payable to companies) and interest on mortgages, bank deposits and savings. This item has increased about 2,000 millions, and stood in 1929 at an amount somewhat more than double that of 1925. This growth is due in part to revalorization of pre-stabilization securities, but mainly it reflects the progress made in restoring the internal credit system

destroyed by the inflation, and it provides some measure of the increase in the internal fund of investment money. In 1925 income derived from such sources amounted to only 2.6 per cent of the total national income, whereas now the proportion is about 5 per cent. In 1913, however, income from investments represented a little more than 11 per cent of the national income, a difference from the present which illustrates the effects of the inflation, and of the change in the direction taken since the war in the distribution of income.

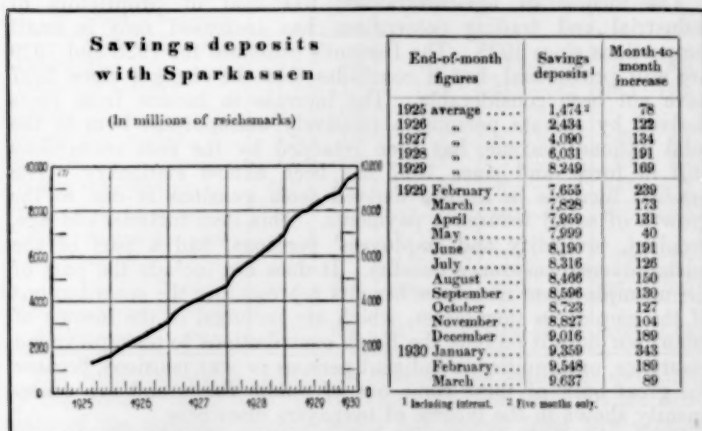
The income of agriculturalists, like that of proprietors of industrial and trading enterprises, has increased only in small proportions since 1925. The Institut's estimates for 1928 and 1929 are still provisional, but it concludes that the changes since 1927 have not been considerable. The increase in income from rents derived by private persons, a relatively unimportant item in the total national income, has been retarded by the rent restrictions still in force, and since 1927 has been almost stationary. The gradual increase in income derived from pensions is due to the growth of social insurance payments. This item includes old age, accident, invalidity and employees' pensions, and a part of the unemployment insurance benefits. It does not include the part of the unemployment insurance benefits representing the contributions of the employees themselves, which are included in the income of labor, nor does it include the Reich contributions to unemployment insurance, or annuities to indigent persons or war pensions, because the great bulk of these come out of public funds and are consequently shown in the income of taxpayers elsewhere.

The final item in the table, that for income earned by public undertakings, covers the income derived by the Reich, the States and communes from profit-earning enterprises owned by them, and from real estate or other capital assets. The total has about doubled since 1925, and indicates among other things the growth in the size and output of publicly-owned electric light and power plants.

The foregoing estimates of the national income have a bearing, of course, on the annual formation of capital, but without supplementary information it is impossible to interpret one in terms of the other. It is true, as has already been indicated, that the growth in the income derived from capital implies an increase in the national fund available for investment. But this concerns only one side of the question, and leaves out of account other items of great importance. An estimate of current capital formation, if it had been made, would have been useful and timely in the present state of the German economy, and fully equal in importance to the estimates of income now published. It will be recalled in this connection that the estimates of capital formation prepared by the Reichs-Kredit-Gesellschaft, which were based upon a calculation of the excess of production over consumption, have been discontinued. They ceased with the estimates for the years through 1927, which were described in the interim and annual Reports of the Agent General for 1928.

In default of any comprehensive official estimate of capital formation in Germany, it is possible to deal only with such indi-

vidual evidences of it as are currently published in terms of figures. Heretofore only two such series have been regularly reported, the savings deposited with the savings offices or Sparkassen, and the amounts paid to life insurance companies in the shape of premiums on policies. Since the last Report a third series of figures has become available, namely the savings deposits of agricultural cooperatives, and in this Report figures are also given for the first time showing deposits with tradesmen's cooperatives, which are published occasionally.



It appears from the figures reported by the Sparkassen that savings deposits with them increased during 1929 by an average of about 169 millions a month, a rate somewhat smaller than during 1928, when the Sparkassen reported the largest growth since stabilization. In May, 1929, the month-to-month increase fell to 40 millions, reflecting a temporary but widespread hesitation on the part of the public to put savings funds in bank during the uncertainty as to the outcome of the reparation negotiations in Paris and the pressure on the reichsmark in the foreign exchanges. But taking the year 1929 as a whole, the increase in savings deposits amounted to 2,026 millions as against 2,292 millions in 1928, and 1,607 millions in 1927. It is noteworthy that whereas 561 millions of the increase reported for 1929 was derived from interest and the revalorization of pre-stabilization savings deposits, the total so derived in 1928 was about 300 millions. Thus the actual amount of new funds placed with the Sparkassen in 1929 was smaller than in the year before, a decline attributable in part to competition from other savings depositaries, which has been made all the stronger by the financial difficulties of some of the communal governments and of some of the enterprises owned and operated by them. The Sparkassen have reported for the first quarter of 1930 further increases in savings deposits, amounting to a total of 621 million reichsmarks, including interest credited and revalorized deposits.

At the end of 1929 the total savings deposits in the Sparkassen amounted to about 9,000 millions, as compared with 19,700 millions of such deposits at the end of 1913. In this connection it is interesting to observe that the rate of increase in 1913 was about 84 millions a month, and that 61 per cent of that increase was derived from interest credited, leaving about 33 millions a month to represent fresh savings, as compared with 122 millions a month in 1929. After making all due allowance for the higher price level now prevailing, it appears that the saving capacity of the Sparkassen depositors has much increased as compared with the period before the war.

In addition to the Sparkassen, the large commercial banks now receive savings deposits from small depositors. Since November, 1927, the members of the Stempelvereinigung (the Berlin Bankers' Association) have been accepting savings deposits, on which the rate of interest was 6 per cent from April, 1929, to February, 1930, when it was reduced to 5 per cent. This rate is the same as the usual rate on savings deposited with the Berlin Sparkassen. Savings deposits are not separately shown in the published statements of the commercial banks, and their total accordingly cannot be estimated.

A third class of savings deposits, those of the leading German agricultural cooperative associations, has recently been reported for the period up to June 30, 1929.

Deposits with agricultural cooperatives (In millions of marks or reichsmarks)	Savings deposits	Current-account deposits	Total
1913, December 31	2,019.7	231.9	2,251.6
1924, December 31	81.5	75.0	156.5
1925, December 31	227.3	180.0	407.3
1926, December 31	450.4	276.4	726.8
1927, December 31	690.8	276.0	966.8
1928, December 31	1,055.8	316.0	1,371.8
1929, June 30	1,170.0	318.1	1,488.1

The figures shown in the foregoing table, published by the Institut für Konjunkturforschung, represent returns from some 18,000 individual cooperative groups belonging to the two most important associations, the National Association of German Agricultural Cooperatives and the General Association of Raiffeisen Cooperatives. About 60 per cent of the members are engaged in strictly agricultural occupations and the remainder are made up chiefly of other residents of rural districts. The latest published figures of deposits cover the first half of 1929 only, and so do not take account of deposits made during the marketing of the 1929 crop. The increase in savings deposits for the six months' period was 114 million reichsmarks as against 365 millions for the whole of 1928 and

240 millions for 1927. The total volume of savings deposits in the agricultural cooperatives on June 30, 1929, was about 58 per cent of the total at the end of 1913.

Deposits with tradesmen's cooperatives (In millions of reichsmarks)	Savings deposits	Checking and current ac- count deposits	Total
1926, December 31	429.3	305.6	734.9
1927, December 31	622.5	339.2	961.7
1928, June 30	780.4	330.6	1,111.0
December 31	909.2	372.7	1,281.9
1929, February 28	987.5	361.1	1,348.6
April 30	1,017.2	358.1	1,375.3
June 30	1,038.5	365.8	1,404.3

The figures given above showing the deposits in the tradesmen's cooperative banks were compiled by the Reich Statistical Office from statements of about 1,300 individual institutions. In the first half of 1929 savings deposits with these banks increased by a somewhat smaller amount than in the same period of 1928—129 million reichsmarks as compared with 158 millions in the previous year. The total increase in 1928 amounted to 287 millions, as compared with less than 200 millions in 1927 and 1926 for closely similar groups of reporting cooperatives.

Some further indication of the volume of saving is to be found in the amounts paid to life insurance companies in the shape of premiums on policies. While the premiums paid reflect the course of saving through life insurance they are not in themselves a measure of capital formed; this can be ascertained only by the growth of insurance reserves, figures for which are not available.

Life insurance in public and private institutions (In millions of reichsmarks)	Amount of insurance in force	Premiums paid during two-month periods
1925 average	—	54
1926 "	—	69
1928 "	12,076	101
1929 "	14,683	120
1927, December 31	10,318	83
1928, December 31	13,147	103
1929, February 28	13,598	115
April 30	14,060	122
June 30	14,556	114
August 31	14,928	124
October 31	15,323	127
December 31	15,635	118
1930, February 28	15,946	131

The amount of premiums paid, as reported by the larger public and private institutions, averaged 60 million reichsmarks a month in 1929 as compared with a monthly average of 50 millions in the year 1928 and of about 35 millions in 1926. The amount of insurance in force increased by 2,488 millions in 1929 as compared with 2,829 millions in the preceding year. The increase in insurance is due principally to a growth in the number of smaller policies as the average amount of each policy decreased from about 1,760 reichsmarks at the end of 1927 to about 1,370 reichsmarks on December 31, 1929. In the first two months of 1930 there was a further increase of insurance in force and of premium payments.

The various public social insurance institutions report periodically their receipts, disbursements and net capital assets, and the increase in their assets may be taken to represent an increment in the supply of new capital. Details of these figures for the years 1924 to 1929 are given on pages 132 and 133. Excluding the unemployment insurance institute, which is in debt to the Reich, the increase in net capital assets in 1929 amounted to about 690 millions as compared with an increase of about 780 millions in 1928 and about 650 millions in 1927.

7. New Capital Issues and the Security Markets.

Like the market for short credit, the German market for capital issues has been overloaded with a mass of loan applications far too large to be satisfied out of existing resources. This overloading of the market is not a new development. On the contrary, the volume of actual and potential offerings has exceeded the absorptive capacity of the market ever since stabilization. This was inherent in the situation which Germany faced after the wastage of the war and the inflation, for it was necessary when those periods closed to begin over again with the accumulation of investment funds. At the outset the accumulation was slow and additions to the supply were limited; but the demand, which was already active when accumulation began, has consistently kept ahead of the supply. And, whenever for seasonal reasons or otherwise the capital issues market has shown signs of vitality, it has been stifled under a mass of loan applications. One major factor in the demand, which of itself goes far to explain the pressure on the market, has been the extremely heavy and persistent solicitation of credit on the part of the public authorities. During 1929 this was particularly intense and inopportune.

The following table is made up from the most recent figures published by the Reich Statistical Office, and carries corrections in earlier statistics; accordingly it differs in minor particulars from tables printed in previous Reports. It appears that during the three years after 1925, the domestic market was able to absorb about 4,300 millions of capital issues a year. While the annual totals were approximately identical, the market in each year was subject to periodic interruptions, frequently lasting for several months. In 1929, the interruption began with the month of February, and during the remainder of the year the market was narrow, with the result that in the year as a whole the volume of domestic capital issues amounted to about 2,500 millions, or about 41 per cent below the total for 1928.

Domestic capital issues (In millions of marks or reichsmarks)	1907-13 yearly average	1925	1926	1927	1928	1929	1930 Jan.- Feb.
German bonds							
Reich, States, communes, etc.	1,172	15	654	698	456	398	45
Associations under public law	4	22	364	16	207	—	2
Real estate credit institutions, Giroverbände and related institutions							
(a) communal bonds	116	38	465	349	489	248	52
(b) mortgage bonds	788	840	1,628	1,597	1,459	890	281
Private concerns ...	400	79	322	181	294	7	19
Total bonds...	2,480	994	3,433	2,841	2,905	1,543	399
German shares	740	656	988	1,438	1,339	964	197
Total German securities	3,220	1,650	4,421	4,279	4,244	2,507	596
Foreign securities	472	—	—	58	14	19	—
Grand totals...	3,692	1,650	4,421	4,337	4,258	2,526	596

Several items in the table call for specific comment. The only category of capital issues which in 1929 approximated the volume of the previous year was that representing bonds issued by the Reich, the States and the communes, to the total amount of about 400 million reichsmarks. The principal issue included in the list was that of the Reich, offered in May, 1929, in the amount of 300 million reichsmarks, of which, however, only about 180 millions were subscribed. The terms of this issue, which was described in the interim Report, included numerous tax exemptions, a coupon rate of 7 per cent and an offering price of 99. The offering was made at a time of uncertainty as to the outcome of the Paris Conference and its failure is to be explained partly on that account. But its unusually attractive terms, and the high yields on other issues of the public authorities, particularly on communal bonds, set a standard which made private borrowing still more difficult and expensive.

In addition to long-term obligations publicly offered for sale on the market, the Reich issued during the past year to claimants under the war damage liquidation law of March 30, 1928, a large volume of war damage liquidation debt certificates. Most of these certificates have in turn been offered for sale on the open market by the recipients, and thus have absorbed some of the funds available for investment. By March 31, 1930, a total of about 1,000 million reichsmarks of these certificates had been issued by the Reich, and they have been selling on the market at an appreciable discount below their nominal value. Up to late in 1929 they were bringing a return to the purchaser of about 10 per cent or even higher, depending upon the date of maturity; but more recently,

with the general easing of money, the rate of return at prevailing prices has diminished to between 8 and 9 per cent.

The pressure exerted on the market by the demands of the public authorities had the effect during 1929 of excluding practically all offerings of bonds by private concerns, and during the whole year private issues amounted to only 7 million reichsmarks. Under the conditions prevailing in the bond market, private enterprises adopted the alternative of issuing shares, a certain portion of which passed into foreign hands, some in connection with financial and trade agreements made with foreign corporations, and others through the medium of German banks. Altogether, the new offerings of shares were relatively large, but still considerably below the offerings during 1928.

There was a marked falling off during 1929 in the volume of mortgage bonds issued by the real estate credit institutions. These obligations, known as Pfandbriefe, are secured by mortgages on real estate, including agricultural land, and are issued from time to time and at varying rates according to the market. Pfandbriefe, ordinarily popular with the German investor, provide a fair index of the condition of the market as a whole. During 1929, issues of Pfandbriefe were about 40 per cent smaller than in the preceding year.

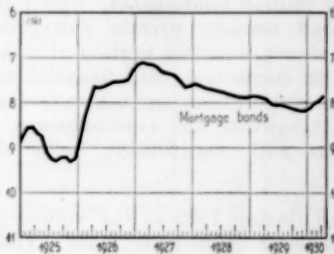
The narrowing of the market for mortgage bonds obliged the real estate credit institutions to curtail materially their long-term loans to borrowers. According to figures assembled by the Institut für Konjunkturforschung, the net increase during 1929 in outstanding long-term loans made by these institutions amounted to about 810 millions on city and agricultural mortgages and 357 millions to the communes, as compared with 1,624 millions and 613 millions, respectively, in 1928. It is interesting to note that most of these long-term loans granted to the communes were made by credit institutions "of public-law standing", that is to say, by institutions operated by or in close relation with the public authorities. The savings banks or Sparkassen made loans on mortgages during the year in the amount of 952 millions as against 1,055 millions in 1928, and also lent 480 millions to the communes as compared with 346 millions a year ago.

Since the beginning of 1930 the general easing of money rates has brought some degree of relief to the long-term market as a whole, though not in the same proportion as for short-term funds. Issuing banks which at the end of 1929 had considerable amounts of unsold securities on their shelves have been able to effect a better distribution, and the output of new issues has also increased. In the first two months of 1930 new offerings of mortgage bonds were larger than for any two months since the beginning of 1928; and there were several offerings of communal obligations, mostly of 3 to 5 years' maturity. There were also a few small to moderate-sized industrial issues of both bonds and shares.

Consistently with the conditions prevailing during 1929 on the market for new capital issues, the prices of outstanding issues

Bonds—annual rate of return to investor

(In per cent)



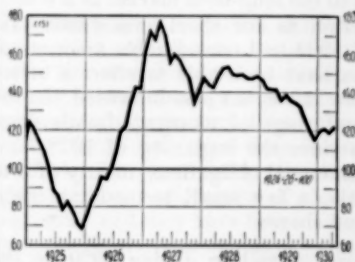
Monthly averages	Mortgage bonds	Provincial and city bonds	Industrial bonds
1925 average ..	9.00	—	—
1926 " ..	7.73	—	—
1927 " ..	7.33	7.47	7.47
1928 " ..	7.75	7.97	7.98
1929 " ..	8.03	8.32	8.35
1929 March ...	7.89	8.12	8.14
April	7.93	8.18	8.23
May	8.03	8.34	8.47
June	8.05	8.38	8.34
July	8.05	8.36	8.31
August ...	8.07	8.38	8.26
September ..	8.11	8.38	8.44
October ..	8.15	8.46	8.59
November ..	8.17	8.54	8.57
December ..	8.17	8.58	8.61
1930 January ..	8.13	8.59	8.49
February ..	8.02	8.46	8.25
March ...	7.98	8.42	8.31
April	7.85	8.26	8.16

declined. Of the three principal classes of bonds, Pfandbriefe were the least affected, and at prices prevailing in December, 1929, standard issues yielded 8.17 per cent as against 7.88 per cent a year before. After the turn of the year there was a moderate rise in the market prices of fixed-term obligations, and at the beginning of May, 1930, standard issues of Pfandbriefe were selling on about a 7.8 per cent basis. The prices of other classes of bonds were also somewhat higher, including various State, city and industrial issues. The Reich 6 per cent loan of 1927, the price of which had been officially supported at 87.50 for many months, declined slightly in February when the support was relaxed, but rose later and at the beginning of May was quoted at 87.80, while the Reich 7 per cent loan of 1929 was selling at the beginning of May about two points over par.

Though the stock markets were weak and inactive during 1929, there was no sharp drop of the nature observed in other markets.

Share prices on the Berlin Bourse

Index of average prices of 329 shares
(1924-26 = 100)



Monthly averages	Index numbers
1925 average	93.3
1926 "	106.0
1927 "	158.0
1928 "	148.4
1929 "	133.9
1929 March	141.1
April	141.2
May	135.4
June	138.7
July	135.7
August	134.2
September	132.4
October	124.7
November	119.8
December	115.2
1930 January	120.0
February	120.6
March	119.0
April	122.2

The decline, on the contrary, was gradual and speculation on the whole was absent. The average return on shares quoted on the Berlin Bourse at prices prevailing on December 31, 1929, was 6.58 per cent as compared with 4.99 per cent at the end of December, 1928. The difference was due practically in full to the fall in prices, inasmuch as dividends remained substantially unchanged. In the first half of January there was a marked rise in share prices on the Berlin Bourse, but since then there has been little change. At the end of March, the latest date for which official figures are available, the average return of shares quoted on the Berlin Bourse was 6.29 per cent, reflecting principally a rise in share prices, as dividends remained practically unchanged.

8. Agricultural Credit.

The size and urgency of the demand for agricultural credit in previous years has furnished one of the major causes, along with the credit demands of the public authorities, for the general credit pressure in Germany. During the second half of 1929, for the first time since stabilization, a decline took place in the volume of credit employed by agriculture. From the standpoint of the credit situation as a whole this was a favorable development, representing some progress in the consolidation and liquidation of debt. But for agriculture itself, the year 1929 and the first months of 1930 formed a period of singular difficulty. This arose in part from conditions confronting agriculture the world over, including the weak and falling prices at which the 1929 crop was sold. It was due in part also to conditions special to Germany.

It will be recalled that German agriculture was placed in a peculiarly difficult position with stabilization. While the inflation had relieved agricultural proprietors of a large part of their debts, it had also cost them many of their assets, other than the land itself and the existing buildings. In numerous cases, especially among the large landowners, the conditions introduced with stabilization—such as relatively low prices for agricultural products, extremely high costs for credit, high wages and taxes and high prices for materials and machinery—resulted in actual losses in operation from one year to the next. These losses were all the greater because of several poor to indifferent crops, followed by two good years the benefits of which were in a measure lost to them through low prices. As has been explained at length in previous Reports, these and other causes, among them faulty marketing procedure and the inability of many proprietors to adjust themselves promptly to the changed conditions of agricultural production in the world at large, resulted in the rapid accumulation of debt. By the end of 1927 the volume of debt, though substantially smaller than the pre-war figures, was costing rather more in the aggregate amount of interest paid than it had before the war.

The accumulation of debt appears to have been most pronounced in those parts of Germany where large undertakings predominate

According to a recent calculation made by the Reich Finance Ministry, which relates to the condition at the close of 1928, the amount of debt in proportion to the capital value of the undertakings, which in turn is based upon their taxable value, varied from about 9 per cent to about 57 per cent. The proportions ranging over 50 per cent related to districts in East Prussia, Pomerania and Mecklenburg-Schwerin, where the large undertaking is typical, while the smaller percentages were mostly in other parts of Germany, where small farms predominate. The average for the Reich was given as 30 per cent.

Agricultural credits outstanding (In millions of reichsmarks)	Mortgage credits	Intermediate credits	Short-term credits	Total
1925, December 31...	1,011	26	2,186	3,223
1926, December 31...	2,048	102	2,127	4,277
1927, December 31...	2,814	304	2,566	5,684
1928, June 30.....	3,258	313	2,857	6,428
September 30..	3,441	322	2,944	6,707
December 31...	3,623	318	2,890	6,831
1929, March 31.....	3,811	301	2,960	7,072
June 30.....	3,891	320	3,143	7,354
September 30..	3,997	323	2,957	7,267
December 31...	4,103	315	2,844	7,262

It should be noted that the foregoing table, giving figures compiled by the Institut für Konjunkturforschung, represents not the amount of new credit granted each year but the ascertainable amounts outstanding on the respective dates. In each of the three years prior to 1929 the amount outstanding rose by 1,000 millions or more. In the twelve months of 1929 the increase was less than half as much, and during the second half of the year there was a small decline.

Quite as important as the changes which took place in the total figures for the year were the changes in the individual classifications of indebtedness. The entire increase for the year was accounted for in the item representing mortgage debt. The amount of intermediate debt outstanding, on the other hand, was almost precisely the same at the end of 1929 as a year earlier, and the amount of short-term debt actually declined. Heretofore, except for seasonal fluctuations, the volume of short-term debt has shown a disturbing tendency to increase notwithstanding a general effort to convert as much as possible of it into mortgage form. Indeed, the two forms of debt tended up to the middle of 1929 to rise almost simultaneously. The change which has since taken place, however temporary it may prove to be, is in the direction of bringing the volume of agricultural credit into more manageable form.

Other evidence on the amount of short-term credit utilized by agriculture is to be found in figures published by the Preussische Zentralgenossenschaftskasse (known as the Preussenkasse), which is the central bank for cooperative credit. Whereas at the end of

1927 rural credit cooperatives had exceeded by 132 million reichsmarks their assigned credit contingents with the Preussenkasse, the credits used at the end of 1928 were about 80 millions less than the credit contingents. At that time, however, credits used by the cooperatives situated east of the Elbe (where agricultural credit distress has been particularly acute) continued somewhat in excess of the assigned contingents. By the end of November, 1929, this excess not only had disappeared but the cooperatives both east and west of the Elbe were well within their contingents, and were in a position to call for some 114 millions more credit from the Preussenkasse than they were using. The amount of short-time credit furnished to agriculture by the Preussenkasse continued to decline up to the end of January, 1930; but since then there has been some seasonal increase.

These changes in tendency were beneficial to the credit market as a whole, but the figures necessarily leave out of account the conditions which were at least partly responsible for the results indicated. It seems safe to assume, for example, that certain agricultural borrowers had reached the limit of their power to incur debt and that other landowners had refrained from doing so because of the cost. Moreover, the decline in the market values of agricultural products reduced the amounts which farmers were able to borrow on the security of their crops, and intensified the difficulties, particularly of those burdened with debts carrying high rates of interest.

Various measures of relief have been undertaken and others have recently been proposed. Of those already put into effect one of the most constructive is the reorganization of the whole agricultural cooperative credit system. Without attempting to analyze an extremely complicated sequence of financial transactions, it may be said briefly that the Raiffeisenbank, the institution serving one of the principal groups of cooperatives, became seriously involved in the first years after stabilization through financing operations which had little or nothing to do with agriculture. Its difficulties were in a measure passed on to the Preussenkasse, and presently the capacity of both institutions to provide agricultural credit was much impaired. The Preussenkasse was reorganized in 1928, and was provided with fresh resources by the State of Prussia; more recently arrangements have also been made to bring the Reich into participation as a stockholder to the extent of 50 million reichsmarks. As for the Raiffeisenbank, the Raiffeisen group of cooperatives agreed to its liquidation, and the group itself has consented to a merger with five other important agricultural cooperative associations. This merger was effected on February 13, 1930, and consolidated 37,300 individual cooperatives out of a total in Germany of about 40,800. In addition, a broad programme for rationalization and centralization of the various regional and functional agricultural cooperatives is in process. This programme provides in general that in each State or province all cooperatives of the same functional category—for example, for buying or selling or for providing credit—shall be consolidated into a single regional association, and these regional associations in turn shall form an association for the Reich as a whole. It is contemplated that these associations shall assist in the rationalization of German agriculture in

all of its varied aspects. The growth of savings deposits in the agricultural cooperatives, already mentioned in a previous section of this chapter, is an indication of the vitality of these organizations, and has an important bearing on agricultural credit as a whole, since these funds provide a natural and ready source of credit to the farming population.

Another measure designed for the relief of agriculture was forecast by the Chancellor of the Reich on December 12, 1929, in outlining to the Reichstag the financial proposals of the Government. According to this proposal, which has since been embodied in a draft law presented to the Reichsrat on April 7, 1930, agricultural landowners are exempted from the payment due April 1, 1930, and from subsequent interest payments on the Rentenbank general mortgage, subject to the proviso that the Government of the Reich may call for subsequent payments if ever required in order to enable the Rentenbank to fulfil its liabilities in respect of the liquidation of Rentenbank notes in circulation. Up to this time, as noted in previous Reports, the bulk of the interest received on the Rentenbank mortgage has been used for the redemption of Rentenbank notes. The total of interest payments each year has usually exceeded 80 millions, of which 60 millions or more have been used for the redemption of notes and the remainder, up to 25 millions, has been placed at the disposal of the Rentenbank Credit Institution. The suppression of the charge will postpone the date when the Rentenbank note retirement, now far advanced, is completed, but at the same time it carries manifest benefits for agriculture. The draft law also provides for changes in the relations between the Rentenbank and the Rentenbank Credit Institution, which already appear to be embodied to some extent in a new contract between them and the Reich and the Reichsbank.

A third group of measures, aimed at raising the prices in the domestic market for agricultural products, centers on a long series of changes in the customs tariff. Since the summer of 1929 the Government has been engaged in amending commercial treaties with other countries and in altering customs duties, all with a view to reducing or eliminating competition in the home market from foreign-grown agricultural products. These changes are discussed at length in the chapter on foreign trade, in the section dealing with tariffs and commercial treaties. Notwithstanding the changes first effected there was a continued fall in prices, and further increases in customs duties have since been made, with the result that internal prices for grains have risen somewhat since the end of March. The Government is also considering special measures for stimulating the consumption of rye, the present stock of which in the country is redundant.

The principal measures which thus far have been published with official authority are briefly described in the section on tariffs and commercial treaties, and in the chapter on German business conditions in the section on agriculture. The general course of agricultural prices is also discussed in the section on prices.

In connection with his signature of the liquidation agreement between Germany and Poland, the President of the Reich, in a letter addressed to the Chancellor on March 18, 1930, called special attention to the distress of agriculture in East Prussia, and asked that a new programme of financial assistance for the eastern districts should be considered at the earliest possible moment. After extended negotiations between the various ministries concerned, it was announced on May 7th that an agreement in principle had been reached regarding such a programme, but the details are not yet available. Generally speaking, however, it appears from the Finance Minister's budget speech to the Reichstag, on May 2, 1930, that the programme contemplates measures for facilitating the transformation of short-term indebtedness into mortgage debts, for the strengthening of existing agricultural enterprises, for encouraging settlement on the land, and for improving the means of transportation in the eastern districts. Apparently, it provides also for the reduction of certain tax charges.

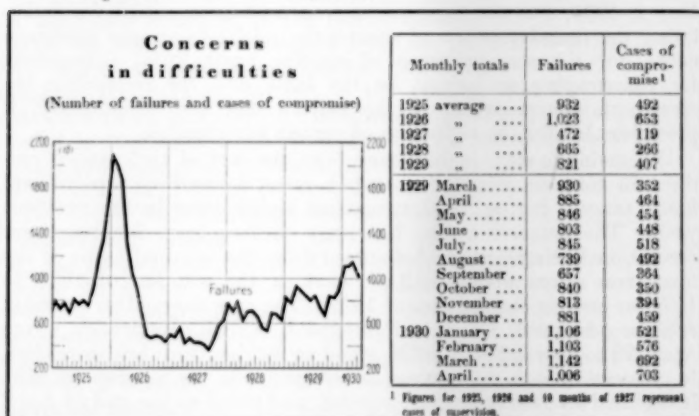
It remains to state in summary form the cost of agricultural credit. In common with other money rates, interest on agricultural loans ranged during 1929 somewhat higher than in the previous year. The net cost to the borrower on long-term first-mortgage credits, including taxes and discount from the nominal value of the loan, rose from about 10.2 per cent in the autumn of 1928 to 10.5 per cent in the autumn of 1929. The rate charged on personal credits advanced by the Rentenbank Credit Institution from April 25 to November 2, 1929, stood at 9 $\frac{3}{4}$ per cent; but thereafter, in connection with the successive reductions in the Reichsbank rate, it declined five times by half a point, and stood at the end of April at 7 $\frac{1}{4}$ per cent. Personal credits from other sources, however, have frequently cost the agricultural borrower as high as 12 per cent.

A reduction in the cost of credit would bring considerable relief to agriculture, but it is still true, as stated in the Report of December, 1928, that "the difficulties which German agrarians face are by no means limited to questions of credit. To some extent they are the reflections of a change in agricultural conditions throughout the world, to which German agriculture has only begun to adapt itself. It is noteworthy that more and more attention is being paid to the means of effecting these readjustments. In particular, preliminary investigations have been made looking toward the improvement of marketing systems, livestock raising, dairying and so on. If these result in greater farm efficiency and in cheaper and better production and distribution, they will bring measurable relief on the score of agricultural credit and will be advantageous also in diminishing imports of necessary foodstuffs."

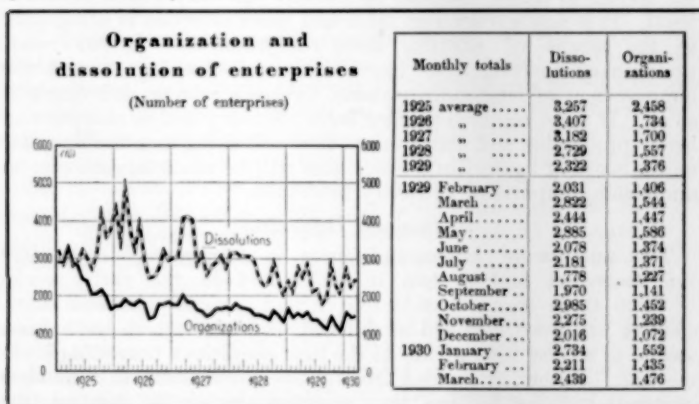
9. Business Difficulties.

The number of business failures in Germany during 1929 ran somewhat higher than in 1928, and in the early weeks of 1930 there was a considerable further increase. In some cases, distress has overtaken old-established concerns which have been unable to adjust their affairs to the new conditions prevailing since the war; in other cases, and this applies particularly to a number of small banking failures that occurred during the autumn, the

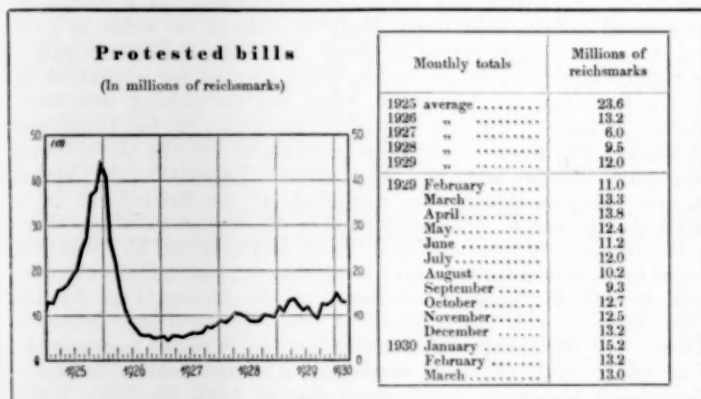
trouble appears to have been largely due to situations which were left over from the inflation and which came to a head during the year under the pressure of high interest rates. A few large business concerns also have been in difficulties, but these appear to have been individual cases of bad management, and not indicative of general weakness in the business situation. It should be understood that the figures given in the following table are not fully comparable from one period to another, because of changes which have taken place in the official procedure for dealing with concerns in difficulties. These changes were described in the Report of December 22, 1928.



The movement toward concentration in business which has been in progress in Germany since stabilization continued during 1929, but on average at a somewhat diminished rate. Since the beginning of 1925 the number of enterprises of all sorts dissolved, including partnerships and individual firms as well as joint-stock corporations, has exceeded the number of new enterprises formed by more than 70,000.



The nominal amount of protested bills was somewhat higher during 1929 than in 1928, when in turn the amount was somewhat higher than in 1927. The figures which are given in the following diagram and table have been compiled and published by the Institut für Konjunkturforschung on the basis of private reports received from various parts of Germany. The amounts given have no absolute significance because they take into account only a minor part of the total protested bills in Germany; but the tendency illustrated may be assumed to represent a fair sampling.



b. The German Currency.

From the time of stabilization up to the end of 1929 the volume of currency in circulation continuously increased, season for season, from one year to the next. But in recent years the year-to-year growth has slowed down, and in the first months of 1930 the volume of the circulation has been on the whole slightly smaller than in the corresponding months of 1929.

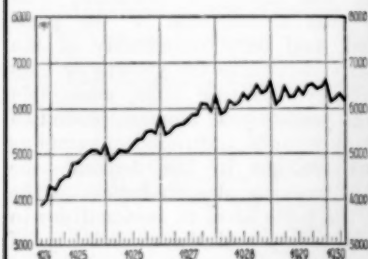
In the period immediately after stabilization, as a characteristic result of the inflation, the currency was barely sufficient to meet the minimum requirements of the country's business, and the year-to-year rise in volume was a reflection of the pressure which this shortage exerted, and only secondarily of the complex of factors which ordinarily determine the growth or contraction of a gold standard currency. During 1929, when this phase was approaching its end, the year-to-year increase tended to restrict itself more and more closely to such additional amounts as were required to satisfy current changes in the demand—the latter the result of the complicated working of such factors as the volume of production and trade, the price level of commodities in world markets, Reichsbank credit policy and the availability of credit abroad.

The German currency has continued to satisfy all the practical requirements of the gold standard, as it has during the entire period since the Dawes Plan went into effect. The position of the reichsmark in the foreign exchanges, as has been seen in a previous

section of this chapter, has kept within the limits determined by the gold points both upward and downward, and on many occasions in recent months it has stood with respect to other leading currencies at or near the gold import point. Its internal value has risen to some extent, in accordance with the decline in the general index of commodity prices.

The reichsmark remained up to the end of the Dawes Plan a gold currency in a *de facto* sense only, but with the coming into force of the new Plan it has been placed on a full gold basis. Even before this final step was taken, the Reichsbank, as a matter of announced policy, held itself ready to redeem its notes in gold but it was not legally bound to do so. The Reichsbank's obligation to pay its notes in gold or devisen was provided for in Section 31 of the Bank law of August 30, 1924, but the coming into force of this section of the law depended, according to the provisions of Section 52, upon "concurrent resolutions of the Reichsbank Managing Board and of the General Council". As stated in the previous Report, the President of the Reichsbank in a letter dated June 6, 1929, addressed to the chairman of the Committee of Experts then meeting in Paris, had said that he "was prepared to introduce the necessary resolution . . . at the latest in connection with the putting into force of the present Plan by the Governments". On April 19, 1930, the Minister for Economic Affairs and the Finance Minister of the Reich issued a proclamation, dated April 17, 1930, conveying a communication from the Reichsbank Managing Board under date of April 15, 1930, to the effect that "in accordance with Section 52 of the Bank Law of August 30, 1924, the Reichsbank Managing Board and the General Council of the Reichsbank have unanimously resolved to put Section 31 of the Bank Law in force. This resolution will come into force at the same time as the New Plan."

**Total German currency
in circulation**
(In millions of reichsmarks)



End-of-month figures	Reichsbank notes	Renten-bank notes	Total circulation ¹
1925 average	2,514	1,621	4,797
1926 "	3,132	1,290	5,255
1927 "	3,891	985	5,811
1928 "	4,583	579	6,246
1929 "	4,770	455	6,389
1929 March . . .	4,822	504	6,485
April . . .	4,632	489	6,256
May . . .	4,606	491	6,258
June . . .	4,839	490	6,457
July . . .	4,726	434	6,309
August . . .	4,897	432	6,501
September . . .	4,914	433	6,536
October . . .	4,833	407	6,443
November . . .	4,916	394	6,516
December . . .	5,044	397	6,622
1930 January . .	4,653	373	6,164
February . . .	4,722	365	6,232
March . . .	4,806	362	6,325
April . . .	4,664	362	6,184

¹ Including private bank notes and coins.

The foregoing diagram and table show on the basis of month-end figures the growth of the total amount of currency in circulation since the Reichsbank law went into effect on October

11, 1924. During 1929, while the circulation continued to rise, the rate of increase was slower than in any previous year. In 1926, for example, the average increase of the circulation over 1925 was about 450 millions; in 1927 the increase over the preceding year was about 550 millions, and in 1928 about 400 millions. In the first half of 1929 the year-to-year margin narrowed to 170 millions, and in the second half of the year to below 60 millions; while in the early part of 1930 the year-to-year increase practically disappeared and at the end of April there was even a small decline.

The notes of the Reichsbank have continued to furnish the principal element of increase in the currency. The increase in the Reichsbank circulation, indeed, has been somewhat larger than the increase in the circulation as a whole. Whereas in 1925 Reichsbank notes comprised on the average 52 per cent of the circulation, in 1929 they comprised about 75 per cent of it. The progressive retirement of Rentenbank notes has left a vacuum in the circulation which had to be filled. New coinage of the Reich has partly served this purpose, but the Reichsbank has been called upon to supply the difference as well as the year-to-year increase in the circulation as a whole.

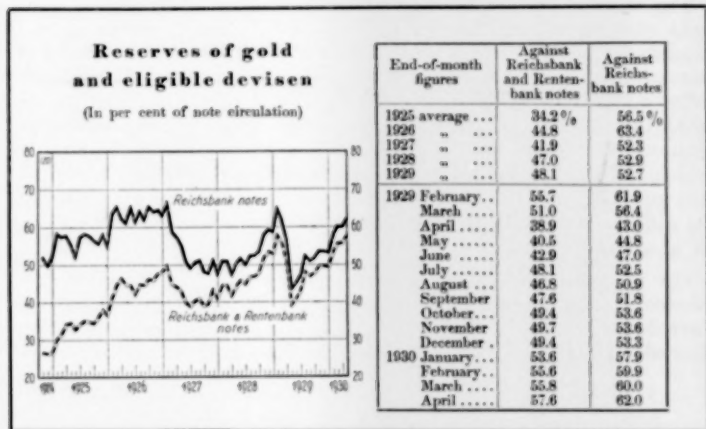
Up to April 30, 1930, in carrying out the provisions of the Rentenbank liquidation law of August 30, 1924, Rentenbank notes have been retired in the following amounts (rentenmarks being equivalent to reichsmarks) and from the following sources:

	(In millions of rentenmarks)
Interest on the general mortgage on agricultural land	347
Payments by the Reich	315
Share of the Reich in Reichsbank earnings	88
Repayments of agricultural bills	880
Total	1,630

In addition, as noted in previous Reports, about 70 millions have been withdrawn from circulation and are held under earmark at the Reichsbank. At the end of April, 1930, the amount of Rentenbank notes in the hands of the public was 363 millions, or only about 6 per cent of the total German circulation.

As foreseen in the law, the retirements of Rentenbank notes were particularly heavy in the first years of the operation of the Dawes Plan. In the period of about three years ended December 31, 1927, about 1,340 millions of Rentenbank notes were retired. The principal source of funds during that period was the complete repayment of the so-called economic credits which had been granted in the early days of stabilization through the medium of the Reichsbank and the minor banks of issue, in rentenmarks and mainly for the benefit of agriculture. Since the beginning of 1928 the income of the redemption fund has been derived from the three remaining sources, namely, the interest on the rentenmark general mortgage to which agricultural land is subject (about 139 millions for the period), payments out of the budget of the Reich (135 millions), and the share of the Reich in the profits of the Reichsbank

(16 millions). The suppression of the first of these items, in the interest of agricultural relief, forms part of the Government's plan for financial relief to agriculture, as already noted in a previous section. Under the draft law of April 7, 1930, which has been presented to the Reichsrat but not yet enacted into law, the annual contribution by the Reich to the redemption fund also disappears, so that in future the fund will normally receive only the annual share of the Reich in the profits of the Reichsbank. The time limit for the complete retirement of Rentenbank notes is accordingly to be extended from 1934 to December 31, 1942.



For reasons described at length in the last Report and given in outline in preceding pages, the Reichsbank reserves of gold and devisen were heavily drawn upon in the spring of 1929, with corresponding effects on the ratio of gold and eligible devisen held against outstanding notes. On May 7, 1929, the reserve ratio stood at 41.0 per cent, the lowest since stabilization and only one point above the legal minimum. Since then, with the replenishment of reserves, the ratio has gradually risen and at the end of April, 1930, stood at 62 per cent, an end-of-month ratio rarely exceeded in recent years.

VIII. Germany's Foreign Trade.

The equilibrium between exports and imports of goods, which had been tentatively reached in September and October, 1928, was maintained during the calendar year 1929, at an average level of about 1,120 million reichsmarks a month. In the final months of the year the reported surpluses of exports, including deliveries in kind, more than overcame the deficits of the early part of the year, and thus brought German foreign trade for the full year into balance. This result was not due to any sudden or sporadic reversal of former tendencies, but to the gradual and cumulative effect of forces which have been in process since stabilization, reflected primarily in the growing vitality of the German export trade. In this sense, the maintenance of the foreign trade balance during 1929 may be regarded as the most promising commercial development of the year.



The main element in this result, as illustrated in the foregoing diagram, has been the growth of the German export trade. On the whole the value of exports has risen steadily ever since the reestablishment of orderly conditions after the inflation: in 1925 exports amounted, according to the published figures of the Reich Statistical Office, to an average of 774 million reichsmarks a month, including deliveries in kind; in 1926 to an average of 868 millions; in 1927 to 900 millions; in 1928 to 1,023 millions; and in 1929 to 1,124 millions. Total exports for the year 1929 reached a level of 13,482 million reichsmarks, or more than 4,000 millions higher than in 1925, making an average year-to-year increase of about 1,000 million reichsmarks.

The development of the export trade has been one of the primary objects of German industry ever since stabilization, not only in the adaptation of plant and production at home but in the reestablishment of old trade relations abroad and the discovery of new trade outlets. In some part also, the growth of exports has been due to the gradual removal of post-war discriminations against German

goods in foreign markets. Much progress has been made in effecting commercial treaties and trade arrangements with foreign countries, which have had the result in most cases of reestablishing Germany on the same footing as other exporting nations. Deliveries in kind on reparation account, in addition to providing a useful method for transferring an important part of the sums paid as reparations, have also served the practical purpose of getting over customs barriers and prejudices against imports from Germany, and so of enlarging the German export market in general. Furthermore, the domestic demand for capital has exerted pressure more or less strongly throughout these years in the direction of larger sales of goods in foreign markets. During the year 1929 this pressure was all the more pronounced because of high interest rates and the difficulties, described at length in the chapter on credit, of obtaining foreign loans; and business conditions abroad were at the same time favorable to the development of German exports.

On the import side of the trade balance the results of the year 1929 are also of great significance, but for different reasons. Since raw and other materials for industrial use make up the principal fluctuating element in German imports, the changes from time to time in the volume of imports furnish a fair indicator of changes in the activity of German industry as a whole. Regarded from this aspect, the import returns

German foreign trade, by months (In millions of reichsmarks)	Imports	Exports		— Excess of imports + Excess of exports	
		without deliveries in kind	with deliveries in kind	without deliveries in kind	with deliveries in kind
1925 average	1,030	733	774	— 297	— 256
1926 "	833	815	868	— 18	+ 35
1927 "	1,186	852	900	— 334	— 286
1928 "	1,167	968	1,023	— 199	— 144
1929 "	1,120	1,055	1,124	— 65	+ 4
1929 January	1,317	1,029	1,101	— 288	— 216
February	1,015	916	971	— 99	— 44
March	1,023	928	982	— 95	— 41
April	1,254	1,159	1,227	— 95	— 27
May	1,131	1,094	1,172	— 37	+ 41
June	1,077	1,011	1,077	— 66	0
July	1,226	1,028	1,099	— 198	— 127
August	1,073	1,119	1,189	+ 46	+ 116
September	1,038	1,130	1,200	+ 92	+ 162
October	1,107	1,154	1,247	+ 47	+ 140
November	1,161	1,091	1,154	— 70	— 7
December	1,020	1,003	1,063	— 17	+ 43
1930 January	1,305	1,034	1,092	— 271	— 213
February	982	962	1,026	— 20	+ 44
March	884	1,043	1,104	+ 159	+ 220

since the reform of the currency are of singular interest. In 1925, a year of stocking-up after the inflation, the value of imports, according to the figures published by the Reich Statistical

Office, amounted to an average of 1,030 million reichsmarks a month; in 1926, the year of the rationalization crisis in industry, imports averaged 833 millions a month; in 1927, a year of broad business activity, the average was 1,186 millions; in 1928 it was 1,167 millions; and in 1929 it was 1,120 millions. Thus in the last three years the monthly average value of imports has been running fairly consistently at or about the level established in 1927, with only a slight tendency to decline in 1929, reflecting in part the fall in commodity prices. Practically all of the decline, moreover, was due not to smaller imports of industrial raw materials but to smaller imports of foodstuffs, made possible by the better harvests of the last two years.

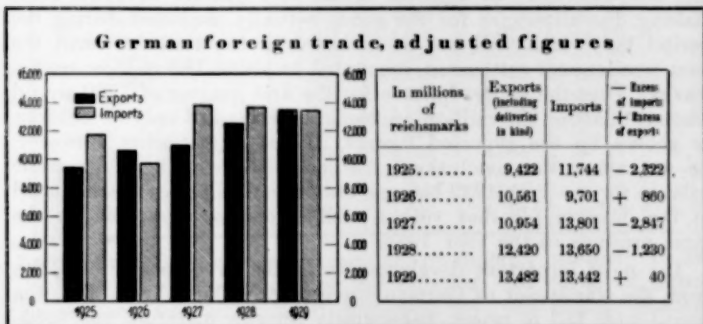
The satisfactory nature of the trade returns for 1929 is thus apparent. It is especially noteworthy that the equilibrium between exports and imports was reached, not by depressing the imports of materials essential to industrial activity, but by raising the value and volume of exports,—with some collateral help from larger agricultural production. In this sense, the reestablishment of balance in German foreign trade is less important in itself than the level at which equilibrium is restored. This level for the year 1929 stood on the average at about 1,120 million reichsmarks a month, or some 300 millions a month higher than in 1926, the most recent previous date when exports balanced imports for any comparable period.

It will have been observed from the diagram and table already printed that the figures for the first quarter of 1930 show a continuation of exports at about the average level of 1929. Imports for the quarter as a whole were somewhat smaller than in the same period of the two previous years, owing in part to the decline in prices of many important raw materials and semi-finished products. According to the figures as reported there was an export balance in the quarter of over 50 million reichsmarks, as compared with an import balance of 300 millions in the first quarter of 1929. The reported import figures for the first quarter of the year, however, are always somewhat larger than actual imports in that period, as they include the values for certain goods physically imported in the previous months but not brought into the trade figures until the semi-annual settlement in January for customs duties on those goods. It has been estimated by the Reich Statistical Office that this over-statement of imports in the first quarter of 1930, after making due allowance for the goods actually imported during the period but which will not be included in the statistics until the next semi-annual settlement, amounted to about 180 million reichsmarks. Thus the export balance for the first quarter of 1930 would amount to about 230 million reichsmarks instead of only 50 millions as shown by the reported figures. These adjustments, however, do not affect the conclusions reached with respect to the trade balance for the year 1929 because the Statistical Office has included in the imports for that year a similar excess applicable on the same grounds to the year 1928.

The most important developments of the first quarter of 1930, from the standpoint of German foreign trade, have been, first, the world-wide fall in prices, particularly for raw materials and food-

stuffs, and, second, the greatly increased customs duties which the German Government has recently imposed on many foreign products, particularly the agricultural products of neighboring countries. These countries are numbered among Germany's principal customers for finished products, and the question arises as to how far the new protective tariffs will, in turn, react upon German exports. Germany gains, of course, by the decline which has taken place in the prices of the raw materials needed for the use of its industries, and as indicated below the fall in commodity prices during the past year has tended to reduce the value of imports without a corresponding reduction in the actual volume of goods received. The effects of the sharp price decline since the turn of the year are likely to be reflected even more in the import figures for coming months than in those so far reported, and the higher customs duties will also tend to curtail the import of agricultural commodities during the next few months. On the export side, it still remains to be seen how sales of German goods abroad may be affected by the decline in world prices and the general recession in production and trade.

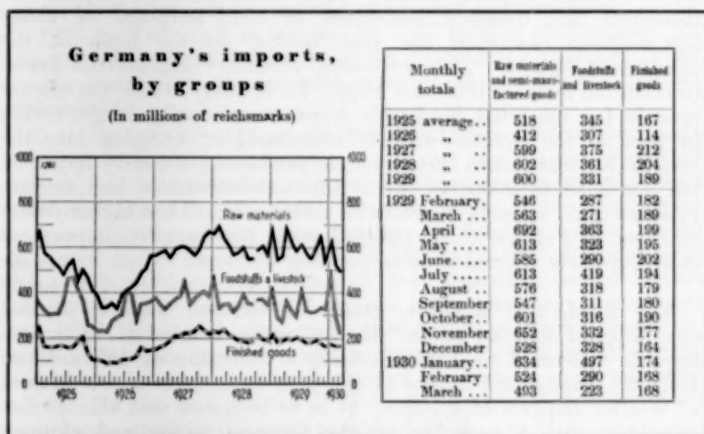
The figures given in the diagram and table printed on the preceding pages, as elsewhere in this chapter, unless otherwise stated, are taken from the latest compilations of the Reich Statistical Office. Yet it should be understood that these official figures are not precisely comparable from one period to another. Prior to the last month or two of 1928, the official returns tended to under-state exports and to over-state imports. On October 1, 1928, a new law went into effect which was designed to correct this tendency. The Statistical Office, in order to make allowances for the inaccuracies of the earlier period, has published as a matter of information more or less arbitrary adjustments of the published returns. The figures for imports have been reduced by 5 per cent for the year 1925 and by 3 per cent for the years 1926, 1927, and for the first ten months of 1928; and the figures for exports, without deliveries in kind, have been increased by $1\frac{1}{2}$ per cent for the whole period through October, 1928. The following diagram and table are made up from these adjusted figures, and the Statistical Office figures for deliveries in kind have been added to the adjusted figures for exports.



These adjusted figures reduce to some extent the adverse trade balances of earlier years. The main impression, however, remains the same: a steady expansion of exports throughout the five years, a fluctuation of imports during the earlier period with a rise to a sustained high level during the later years, and in the fifth year the achievement of balance between exports and imports at that high level. The value of imports during the past three calendar years, on the basis of the adjusted figures, has remained in the general neighborhood of 13,500 million reichsmarks a year, whereas the value of exports, after falling short of imports by about 2,850 millions in 1927 and 1,230 millions in 1928, reached a balance with imports at this level during the year 1929 and even showed a small surplus.

a. Analysis of Imports.

By far the largest of the three classifications of imports comprises raw materials, the bulk of which pass into industrial use. Supplementing these imports of raw materials are other imported products which technically classify as finished goods but as a matter of fact pass into industry for further manufacture. Thus there is established the close relationship, already mentioned, between the activity of industry as a whole and the volume of imports, and it becomes important to observe not simply the total values of imported products but the changes which take place from time to time in the dimensions of the several classifications.



The value of total imports during the twelve months of 1929 amounted to 13,442 million reichsmarks. These twelve months fell entirely within the period covered by the new reporting system, and the total is therefore not strictly comparable with those for preceding periods when the system was not yet in force. Without making the adjustments mentioned above, the total for the twelve months of 1929 showed a falling off from the preceding year in the amount of 559 millions; but if the necessary

adjustments are made, the decline is reduced to 208 millions, which may be taken as a fair representation of the facts. This decline itself undoubtedly reflects to some extent the fall in commodity prices, particularly for foodstuffs and raw materials, rather than a decline in the physical volume of imports.

The value of raw materials and semi-manufactured products imported during 1929 amounted to 7,205 millions, or more than half of the total. On the face of the unadjusted figures, this would mean a decline of 13 millions from the preceding twelve months, but it is safe to assume that actually there was no decline whatever, since the unadjusted figures presumably over-state the raw material imports for 1928. Unfortunately, the Statistical Office has not been able to make the same adjustments in the group figures for previous years that it has made in the totals, and comparison by groups can only be made, therefore, on the basis of the unadjusted figures, which generally speaking under-state exports and over-state imports. In the first quarter of 1930 there was some further decline in the imports of raw materials and semi-finished products, reflecting in part the sharp fall in basic commodity prices and in part the decline in German industrial activity.

The second group in size among German imports is composed of foodstuffs, and it was here that the bulk of the reduction in total German imports during 1929 took place. Imports of foodstuffs and livestock amounted to 3,973 millions, or about 360 millions less than the year before, on the basis of the unadjusted figures. This reduction primarily reflects the better German harvests of 1928 and 1929. In January, 1930, the official returns for imported foodstuffs were exceptionally large, owing in part to the practice already mentioned of bringing into the returns for that month certain staple products previously imported but not until then settled for at the customs offices, and in part to accelerated imports of grains in anticipation of the higher duties effective in February. In the following two months, imports of these products showed a corresponding decrease.

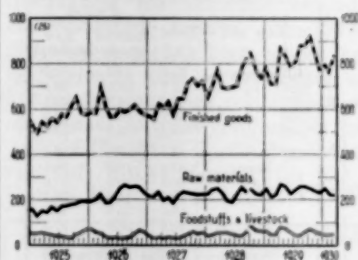
The third, and smallest, group of German imports is that consisting of finished goods. In the twelve months of 1929 such imports amounted to 2,265 millions, a reduction of 185 millions from the unadjusted figures of the year before, the result in part of smaller imports of textiles. It is to be noted that this decline coincided with a recession in the German textile and clothing industries.

b. Analysis of Exports.

The steady growth of German exports has been the principal factor which has brought German foreign trade into balance. In 1929, with imports only slightly lower than in 1928, the rise in exports was a little more than sufficient to establish equilibrium.

Germany's exports, by groups¹

(In millions of reichsmarks)



Monthly totals ¹	Finished goods	Raw materials and semi-manufactured goods	Foodstuffs and livestock
1925 average...	563	166	45
1926 "...	596	228	44
1927 "...	644	217	39
1928 "...	740	229	54
1929 "...	820	244	60
1929 February ..	713	211	47
March	710	223	49
April	876	270	81
May	834	290	78
June	788	228	61
July	810	244	45
August	884	261	44
September ..	879	260	61
October ..	923	249	75
November ..	851	240	63
December ..	775	233	55
1930 January ..	795	249	48
February ..	756	223	47
March	833	221	50

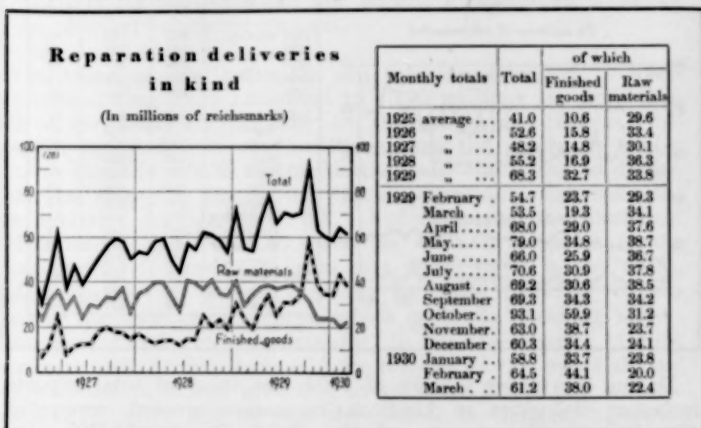
¹ Including deliveries in kind.

During the twelve months of 1929, the value of total exports, including deliveries in kind on reparation account, amounted, according to the reports of the Reich Statistical Office, to 13,482 million reichsmarks. Compared with the total for the preceding twelve months (without making allowances for the under-statement of exports occurring under the old reporting system, but taking account of the Statistical Office's revision of figures for the transitional months of October and November, 1928), the 1929 total showed an increase of 1,207 million reichsmarks. If, however, the adjusted figures of the Statistical Office are taken for the year 1928, the increase amounts to about 1,062 million reichsmarks.

As in the case of imports, the Statistical Office has not been able to carry its adjustments through into the component groups of exports, and it is therefore impossible to compare the several groups from one period to the next except in terms of the unadjusted figures. On this basis, the exports of finished goods, which amounted in the twelve months of 1929 to 9,832 millions, were about 950 millions more than in the preceding period. This growth reflects increased exports of machinery, electrical equipment, iron and steel and other metal products, chemicals, paper and paper products, and a variety of other manufactures. Instances of decline, taking the period as a whole, were not noteworthy. In the first quarter of 1930 the exports of finished goods were larger than in the same period of 1929.

The value of exported raw materials, on the face of the unadjusted figures, increased slightly in 1929 over 1928, the total standing at 2,926 millions, a rise of about 175 millions. Exports of foodstuffs and livestock, always a relatively unimportant item in the total, amounted to 724 millions for the twelve months, an increase of about 80 millions. This increase, coupled with the decline in the value of imported foodstuffs, reflected the better harvests of 1928 and 1929. In this connection it should be observed that the German practice of issuing customs receipts against grain exports

which can be utilized in payment of customs duties on grain imports tends to increase the volume of both exports and imports beyond the amounts otherwise to be expected.



Deliveries in kind on reparation account (which are included in all of the above figures for exports) amounted in the twelve months of 1929 to a total of 819 million reichsmarks, as compared with 663 millions in the preceding year. These figures are based on the physical movement of deliveries in kind and they do not agree period for period, therefore, with the figures shown in the records of the Agent General, which represent simply the payments effected on reparation account. In practice, these payments do not necessarily coincide with actual deliveries, and frequently they cover services as well as material exports. The increase in 1929 over 1928 was entirely due to an expansion in deliveries of finished manufactured products, as there were small declines in deliveries of raw materials and livestock. Finished products comprised 48 per cent of total deliveries in 1929, as compared with 31 per cent the year before. The more important of the products in this group delivered in the past year were machines, electrical equipment, iron and steel products, boats and chemicals. In October, 1929, deliveries in kind were reported at 93 million reichsmarks, the highest figure thus far reached in any month. In subsequent months, however, they declined to an average level of a little over 60 millions a month, reflecting to some extent the reduced provision for deliveries in kind under the Young Plan.

c. Direction of German Foreign Trade.

The direction taken by German exports during the past few years indicates in general terms to what extent trade is following the channels familiar before the war, and to what extent it is finding new outlets. It appears from the available material that there have been important changes in the volume of goods passing to individual countries, but that on the whole the proportion of German goods exported to Europe as distinguished from the rest of the world

remains remarkably constant at almost three-fourths of the total export trade.

The following table gives the figures of the Reich Statistical Office for German exports according to principal countries of destination for alternate calendar years beginning with 1925; corresponding figures for 1913 are given wherever possible. No allowance has been made for changes in the price level, and deliveries in kind on reparation account have been included in the figures for countries which have received them. It is not possible, of course, to give comparable pre-war and post-war figures for Austria-Hungary or the Succession States, or for Poland. In the case of Russia figures for the post-war period relate to the U. S. S. R.

Direction of German exports (including deliveries in kind)	1913		1925		1927		1929	
	In millions of marks	Per cent of total	In millions of reichs- marks	Per cent of total	In millions of reichs- marks	Per cent of total	In millions of reichs- marks	Per cent of total
Netherlands	694	6.9	996	10.7	1,119	10.4	1,355	10.0
Great Britain	1,438	14.2	937	10.0	1,178	10.9	1,306	9.7
Sweden, Norway, and Denmark	676	6.7	854	9.2	947	8.8	1,186	8.8
France	790	7.8	489	5.2	562	5.2	935	6.9
Czechoslovakia	—	—	455	4.9	523	4.8	658	4.9
Switzerland	536	5.3	434	4.6	491	4.5	627	4.7
Belgium and Luxem- burg	551 ¹	5.5 ¹	344	3.7	441	4.1	609	4.5
Italy	395	3.9	425	4.6	462	4.3	602	4.5
Poland and Danzig ..	—	—	422	4.5	431	4.0	425	3.2
Austria-Hungary ...	1,105	11.0	—	—	—	—	—	—
Russia ²	880	8.7	250	2.7	330	3.1	354	2.6
Other European coun- tries	516	5.1	1,303	14.0	1,495	13.8	1,867	13.8
Totals for Europe	7,581	75.1	6,909	74.1	7,979	73.9	9,924	73.6
United States	714	7.1	604	6.5	776	7.2	991	7.4
Other non-European countries	1,802	17.8	1,806	19.4	2,046	18.9	2,567	19.0
Totals for non- European countries	2,516	24.9	2,410	25.9	2,822	26.1	3,558	26.4
Grand totals...	10,097	100.0	9,319	100.0	10,801	100.0	13,482	100.0

¹ Belgium only.

² Post-war figures refer to U. S. S. R.

Such changes in the direction of exports as have taken place in recent years have tended toward the expansion of trade with non-European countries, but the proportion attributable to Europe in 1929 still amounted to 73.6 per cent as compared with 75.1 in 1913. In other words, the progressively larger exports of recent years appear to have been distributed between European and non-European countries in approximately the same proportions as before the war, with only a small reduction in the European share of the total. It does not necessarily follow that the countries receiving German

goods consume them in the same volume as they import them; to a certain extent, no doubt, the preponderant place of Europe among Germany's customers is due to the fact that some of the importing countries act as middlemen in the further distribution of German exports to non-European countries, and the European proportion as shown in the published figures is correspondingly over-stated.

There have been large changes, however, in the trade with individual countries. While exports to Great Britain, for example, have been increasing in reichsmark amount, the proportion to the whole has been falling, with the result that the Netherlands during 1929 replaced Great Britain as the largest importer of German goods. The value of goods passing to France, Belgium and Italy has been rising, under the influence in part of the deliveries in kind on reparation account; but it is noteworthy that of these three countries Italy is the only one which has been importing goods from Germany to an amount, proportionate to the total, larger than before the war. The proportion of total exports going to the United States has varied but little throughout the period.

Germany's imports now as before the war are almost evenly divided between imports received from Europe and those received from countries outside of Europe. Such changes as have taken

Origin of German imports	1913		1925		1927		1929	
	In millions of marks	Per cent of total	In millions of reichsmarks	Per cent of total	In millions of reichsmarks	Per cent of total	In millions of reichsmarks	Per cent of total
Great Britain	876	8.1	944	7.6	963	6.8	865	6.4
Sweden, Norway, and Denmark	498	4.6	683	5.5	820	5.8	863	6.4
Netherlands	333	3.1	743	6.0	698	4.9	701	5.2
France	583	5.4	558	4.5	806	5.7	642	4.8
Czechoslovakia	—	—	525	4.3	569	4.0	480	3.6
Italy	318	3.0	496	4.0	528	3.7	442	3.3
Russia ¹	1,425	13.2	205	1.7	433	3.0	426	3.2
Austria-Hungary	828	7.7	—	—	—	—	—	—
Other European countries	953	8.9	2,373	19.2	2,745	19.3	2,643	19.7
Totals for Europe	5,814	54.0	6,527	52.8	7,562	53.2	7,062	52.6
United States	1,711	15.9	2,196	17.8	2,073	14.5	1,788	13.3
Argentina	495	4.6	628	5.1	1,077	7.6	747	5.6
British India	542	5.0	644	5.2	525	3.7	624	4.6
Other non-European countries	2,208	20.5	2,367	19.1	2,991	21.0	3,214	23.9
Totals for non-European countries	4,956	46.0	5,835	47.2	6,666	46.8	6,373	47.4
Grand totals....	10,770	100.0	12,362	100.0	14,228	100.0	13,435	100.0

¹ Post-war figures refer to U. S. S. R.

place in recent years have tended to reduce the European proportion and to increase the non-European proportion. The United States remains as before the largest single source of German imports; yet it is noteworthy that not only has the proportion consistently fallen but the absolute amount for the twelve months of 1929 was less than in other recent years, probably reflecting smaller imports of foodstuffs. Imports from non-European countries, other than the United States, have shown a noteworthy increase in the past few years. The foregoing table is made up on the same general lines as the one already given for exports.

d. Tariffs and Commercial Treaties.

The year-to-year growth of German foreign trade has been due in considerable part to the progress made in concluding commercial treaties and agreements with other countries. Only about five years have passed since Germany recovered freedom of action with respect to commercial policy, for it was not until January 10, 1925, that she was relieved from the obligation imposed by the Treaty of Versailles to grant without reciprocity most-favored-nation treatment to the Allied Powers. But with the lapse of time and the conclusion of trade agreements, discrimination against German goods as such has ceased in most parts of the world, and in the main German trade is now being conducted on a most-favored-nation basis. The principal exception which persisted until very recently related to trade with Poland, but protracted negotiations have at last taken concrete form in a commercial treaty signed on March 17, 1930. The chief provisions of that treaty, together with the other steps taken in connection with commercial agreements since the last Report, are given in the following summary.

Switzerland.—Letters of ratification of the agreement of April 23, 1929, supplementing the commercial treaty of July 14, 1926, were exchanged on July 6, 1929, putting the agreement into effect as from July 20, 1929. Under the agreement both Switzerland and Germany made concessions with respect to customs duties on limited lists of manufactured articles. On November 13, 1929, by an exchange of notes, a further supplement to this treaty was agreed to, the chief effect of which was to limit the spread between any future German duty on raw aluminium and the duty on semi-finished aluminium products to the spread between the corresponding duties in the Swiss customs tariff. This supplementary agreement came into force on January 14, 1930.

Estonia.—Letters of ratification of the treaty of commerce and navigation signed on December 7, 1928, were exchanged on July 9, 1929, putting the treaty into effect as from July 29, 1929.

France.—An agreement signed on June 10, 1929, came into force on July 16, 1929, extending to Indo-China the provisions of the commercial treaty with France dated August 17, 1927. By a second agreement, signed on June 27, 1929, which came into force provisionally on July 10, 1929, and was approved by the Reichstag on December 24, 1929, France renounced the conventional duty on flour and Germany made concessions with respect to certain duties

on grapes and oysters. Since letters of ratification had not been exchanged by January 10, 1930, the date for the expiration of the provisional arrangement, the latter was extended pending further action.

Finland.—By an agreement supplementing the commercial treaty of June 26, 1926, concluded on November 25, 1929, but not yet ratified, Germany made concessions with respect to duties on cellulose, paper and certain timber products, and obtained the renunciation of a conventional duty favorable to Finland on imports of butter from Finland into Germany. The existence of this conventional duty had prevented the application of higher German tariff duties on imports of butter, which were provided for in the law of July 3, 1929.

Turkey.—The commercial treaty of January 12, 1927, was denounced by Turkey, effective February 3, 1930. Under a provisional arrangement, pending the conclusion of a new treaty, Germany and Turkey have agreed to accord each other most-favored-nation treatment.

Poland.—Trade arrangements with Poland have been in a disordered condition since 1925. Negotiations looking toward the conclusion of a commercial treaty, which had been going on intermittently for several years, reached a definite result on March 17, 1930, following the ratification by the Reichstag of the Polish-German liquidation agreement. The treaty then signed, by reason of its elaboration of items, does not lend itself to general summary, but its principal features may be given in outline, subject, of course, to the text on matters of detail. Germany and Poland grant to each other most-favored-nation treatment as far as customs duties are concerned. Certain export and import prohibitions or restrictions remain in force, but the treaty stipulates that present or future prohibitions or restrictions shall be operative only if they apply to other countries as well. Germany grants Poland import quotas for certain products the importation of which from Poland into Germany was previously prohibited; for coal there is a monthly quota of 320,000 tons which will be automatically increased by the tonnage of German coal exports to Poland; for oxide of lead, red lead and white lead there is an annual quota of 1,000 tons. The importation into Germany of hogs or pork of Polish origin is still prohibited in principle, but Germany allows Poland an import quota of 200,000 head (livestock or slaughtered animals), subject to certain sanitary regulations and to certain clauses intended to limit the effects of Polish competition on the German market. This quota is to be raised to 275,000 head eighteen months after the coming into force of the treaty and to 350,000 head after a further twelve months. Moreover, the treaty permits the application of an agreement concluded on December 21, 1928, between the German and Polish metallurgical industries, which provides for the annual export by German industry to Poland of 165,000 tons of scrap iron, in exchange for which Poland agrees to limit the amount of her exports of metallurgical products to Germany to half of one per cent of the total annual volume of sales of such products on

the German internal market. Finally, Germany allows Poland to receive from Germany an annual quota of 10,000 tons of coal tar. Poland, on her side, allows Germany quotas for certain commodities the importation of which from Germany into Poland was formerly prohibited, in particular for certain textile, porcelain and glass products, for automobiles and motor bicycles, certain food-stuffs, and so on.

The new treaty, the application of which is calculated to produce an appreciable increase in German exports of finished goods, has still to be ratified by the parliaments of the two countries, and will not come into force until 10 days after the letters of ratification have been exchanged. It is concluded provisionally for one year; failing denunciation by one of the contracting parties three months before the expiration of this time limit, it will remain in force for an indefinite period, either of the two countries being then entitled to denounce it for any date upon six months' notice in advance.

Sweden.—In June, 1929, Germany denounced the commercial treaty of May 14, 1926, with Sweden, to take effect as of February 15, 1930. In lieu, however, of giving effect to this denunciation, the two Governments agreed to modify the existing treaty. A supplementary agreement, carrying the modifications, was signed on November 30, 1929, was ratified by the Reichstag on December 31, 1929, and became operative on February 11, 1930. It will be recalled that the conventional duties fixed in the Swedish treaty on cereals, livestock and meat were lower than those fixed in the German tariff schedules, and that since the duties of this treaty were applicable to similar imports from all countries on a most-favored-nation basis, the tariff duties were made largely ineffective. Under the new agreement, Sweden renounces the lower duties on cereals, livestock and meat, and in return obtains a reduction of the German duties on certain varieties of hay, lobsters and several other products. At the same time Germany grants to Sweden the right to export cattle to Germany, within the limits of a definite contingent, subject to the same duty which was in force until February 10, 1930.

Austria.—On April 12, 1930, a treaty of commerce was concluded with Austria, completing and replacing the Convention of September 1, 1920, and the supplementary agreements of July 12, 1924, October 3, 1925, and May 21, 1926. The treaty establishes most-favored-nation treatment between the two countries; in addition it provides for mutual tariff reductions. As regards the importation of German commodities into Austria, the reductions cover in particular a large number of products of the textile industry, some chemical products and also machinery and tools. Austria also renounces the reduced duties enjoyed by her at present on exports of incandescent lamps to Germany. The concessions made by Germany cover in particular certain products of the timber industry (sawn timber, railway sleepers, wood paving); the textile industry (cotton, thread, hosiery, ribbons), and the chemical industry. The treaty, which has still to be ratified by the parliaments of the two countries, will come into force fourteen

days after the letters of ratification have been exchanged. It is concluded for two years; but unless denounced by one of the contracting parties three months before the expiration of this time limit, it will remain in force for an indefinite period, either of the two countries having the right to denounce it for any date on three months' notice.

By these various alterations of treaty engagements, the ground was also laid for an upward revision of the German customs tariff, particularly so far as concerns duties on agricultural products. The first step was taken under a law dated December 22, 1929, which extended the existing tariff law for an indefinite period beyond December 31, 1929, the date when it was due to expire, but with changes in many of its schedules. These changes became effective on December 31, 1929, except for a few specified schedules which were to go into force upon designation by the Finance Minister.

Since then further laws have been adopted, including the laws of March 26, 1930, and another law voted by the Reichstag on April 15, 1930, providing for additional increases of duties on a large number of products, particularly all the chief agricultural products.

An important innovation introduced by the new laws is a system of elastic customs duties on rye, wheat, oats and barley. The Government is under obligation, if the development of prices for one or another of these grains demands it, to lower the amount of the duty or to raise it within a range specified in the law. For wheat and rye the Government, in determining its course of action, has to take account of deviations from an average domestic price of 260 and 230 reichsmarks a metric ton, respectively, whereas the law takes no basic price into account in the case of oats and barley. Under the law of December 22, 1929, the range in duties was between 3.50 and 9.50 reichsmarks per 100 kilograms for wheat and between 3 and 9 reichsmarks for rye. On January 14, 1930, on the basis of prices then prevailing, the Government decided to fix as from January 20, 1930, the duties on wheat and rye at the maximum level. The law of March 26, 1930, left the duties on rye unchanged but broadened the range of elastic duties on wheat, fixing a minimum of 1.50 reichsmarks and a maximum of 12 reichsmarks per 100 kilograms. The maximum duty was immediately put into effect. The law further provided that in case the world price of wheat should decline to an extent of more than 40 per cent from the price prevailing on March 18, 1930, the Government should have the right up to the end of 1930 to increase the duty even over the maximum of 12 reichsmarks per 100 kilograms.

By the law of December 22, 1929, the import duty on oats was raised from 7 to 8 reichsmarks, and on barley not to be used as fodder from 7 to 9 reichsmarks per 100 kilograms. By the law of March 26, 1930, these duties were replaced by elastic duties varying from 2 to 10 reichsmarks on barley whether or not used for fodder, and 4 to 12 reichsmarks per 100 kilograms on oats, of which the higher was in each case immediately put into force. Fodder barley, however, could, under certain circumstances, be im-

ported under a duty of only 2 reichsmarks per 100 kilograms by persons who could prove the purchase of a certain quantity of rye.

The law of April 15, 1930, which came into force on April 18, 1930, gives full authority to the Government to increase or reduce in any amount the duties on wheat, rye and oats. In the case of wheat and rye the Government is to examine every six months whether the duties in force ought to be modified. Its decisions must take into account the necessity of maintaining prices at the average previously established of 260 reichsmarks per ton for wheat and 230 reichsmarks per ton for rye. In the case of barley, the Government's liberty of action is limited; for fodder barley, the duty must be maintained between 2 and 12 reichsmarks per 100 kilograms; the duty on brewery barley must be equal to that on wheat. By decree dated April 17, 1930, the duty on wheat and brewery barley has been raised from 12 to 15 reichsmarks, effective April 25th, while that on fodder barley was kept at 10 reichsmarks.

The duty on flour other than that made from oats and barley, which on July 10, 1929, was fixed at 14.50 reichsmarks per 100 kilograms, was altered by the law of December 22, 1929, so as to vary with the duty on wheat. This law provided that the duty should be $1\frac{1}{2}$ times the duty on wheat plus 4.25 reichsmarks per 100 kilograms. By the law of March 26, 1930, it was raised to $1\frac{1}{2}$ times the duty on wheat plus 5.25 reichsmarks per 100 kilograms. The law of April 15, 1930, changed the duty to twice that on wheat plus 1.50 reichsmarks per 100 kilograms. For the purpose of restricting the use of early-crop potatoes grown abroad, duties on new potatoes have been raised. Whereas the former duties were 4 reichsmarks per 100 kilograms in the period from February 15th to July 31st and 1 reichsmark from August 1st to February 14th, the new duties are fixed at 20 reichsmarks in the period from February 15th to March 31st, 4 reichsmarks from April 1st to August 31st, and 2 reichsmarks in the remainder of the year.

The law of December 22, 1929, provided also for an elastic duty on hogs. With prices ranging between 70 and 85 reichsmarks per 100 kilograms, live weight, the existing duty of 18 reichsmarks per 100 kilograms was to remain in effect. Shifts in the average price on the Berlin market over any two weeks' period above or below that range were to be dealt with by lowering or raising duties by 50 per cent. In application of the latter provision, the duty on hogs was fixed at 27 reichsmarks per 100 kilograms as from March 28, 1930, lowered again to 18 reichsmarks per 100 kilograms as from April 7, 1930, and raised again to 27 reichsmarks as from April 14, 1930. The new law of April 15, 1930, raises the minimum price fixed by the law of December 22, 1929, from 70 to 75 reichsmarks per 100 kilograms. In addition it authorizes the Government to raise the duty on imported hogs up to 36 reichsmarks per 100 kilograms in the event of "an increase of imports resulting in a fall of prices on the home market". Autonomous duties on cattle and sheep were raised, in the law of December 22, 1929, from 18 reichsmarks per 100 kilograms, live weight, to 27 and 22.50 reichsmarks, respectively. The minimum conventional duties on livestock were also

raised. The duty on meat was left at 45 reichsmarks per 100 kilograms, but minimum duties were established in the law of December 22, 1929, at 45 reichsmarks per 100 kilograms for beef and mutton and 32 reichsmarks per 100 kilograms for pork. In the law of April 15, 1930, the minimum duty on pork was also raised to 45 reichsmarks per 100 kilograms. The law of April 15, 1930, abolishes, as from July 1, 1930, the annual import quota of 50,000 tons of frozen meat free of duty, for which provision was made in the law of March 30, 1928.

Import duties on sugar were raised by the law of March 26, 1930, from 25 reichsmarks per 100 kilograms to 32 reichsmarks for refined sugar and from 21 to 27 reichsmarks for other kinds of sugar. Provision is made, however, that if sugar prices rise to certain specified levels, the duties shall revert to the amounts fixed under the law of August 17, 1925, namely 10 and 8 reichsmarks per 100 kilograms.

By decree of February 20, 1930, based upon the law of April 8, 1922, the duties on coffee and tea were raised, effective March 5, 1930, on raw coffee from 130 to 160 reichsmarks per 100 kilograms, on roasted coffee from 175 to 300 reichsmarks, and on tea from 220 to 350 reichsmarks.

The law of April 15, 1930, also raised the import duties on a number of other agricultural products which were not affected by the previous tariff laws. The duty on eggs is raised from 6 to 30 reichsmarks per 100 kilograms; a duty of 5 reichsmarks per 100 kilograms is imposed on fresh milk, and the duty on condensed milk is raised from 5 to 8.50 reichsmarks per 100 kilograms. The law also raised the duties on fodder and sugar beets, hops, grapes, lard, tallow, bacon, starch, dextrine, tapioca, etc. The autonomous duties on wines were increased by 50 per cent. It should be noted, however, that some of these increases, particularly in the case of the duties on eggs and wines, can only take effect after negotiations with the countries to which conventional duties have been granted in respect of these products.

The law of April 15, 1930, empowered the Government to establish, up to March 31, 1931, the value of the import permits (Einfuhrscheine) which may be given by the customs administration upon the exportation of certain agricultural products and the maximum value of which was previously fixed by law. The law also authorized the Government to add to the list of products already allowed under the system of permits (cereals, legumes, milling products, hogs and pork) a certain number of other agricultural products, namely, cattle and beef, sheep and mutton, and products derived from potatoes. The use of these import permits is interchangeable as between these various categories of goods.

It is manifest that these new tariff laws are intended mainly for the benefit of agriculture, but the laws of December 22, 1929, and of April 15, 1930, also included certain provisions relating to industrial products. The law of December 22, 1929, provisionally increased the duties on leather boots and shoes, raised the duty on semi-finished aluminium and introduced a duty on pig and block aluminium. The

law of April 15, 1930, increased the duty on mineral oil from 6 to 10 reichsmarks per 100 kilograms as from April 18, 1930, and introduced a duty of 10 reichsmarks per 100 kilograms on coal-tar oils.

On October 17, 1929, the Reichstag ratified the international convention of Geneva of November 8, 1927, together with the supplementary agreement of July 11, 1928, for the abolition of import and export prohibitions or restrictions. Owing to the absence of the signatures of Poland and Czechoslovakia, which several of the signatory Powers have predicated as a condition to the validity of their own signatures, the convention could not become definitively effective on January 1, 1930, the date established in the treaty. On December 20, 1929, a protocol was signed by seventeen countries, including Germany, in which it was agreed that the convention should become provisionally effective on January 1st, with the condition that if the needed signatures are not obtained by May 31, 1930, the signatory Powers may regain their freedom of action. The treaty binds the participant States to abolish import and export restrictions by a date not later than June 30, 1930.

On March 24, 1930, a new convention for the stabilization of customs duties was signed at Geneva by eleven European countries, including Germany, and by April 15th, the latest date fixed in the treaty for signatures, eight other European countries are reported to have signed. The convention provides, generally speaking, that existing commercial treaties, subject to specific exceptions made by certain countries, shall not be denounced before April 1, 1931. Treaties existing on March 24, 1930, may be replaced by new treaties made before that date but not then in force, and treaties which have been denounced before March 24, 1930, may be replaced by treaties subsequently to be made. In case any change in customs duties should be made by any of the contracting parties, any party who feels injured by these changes may ask for the opening of negotiations to restore the equilibrium. If the negotiations do not result in agreement, the injured party may denounce the convention as a whole or as regards the offending party only. Countries which do not consolidate their customs duties by commercial treaties undertake not to increase existing or to impose new "protective" duties during the life of the convention, and if any of these countries raise existing or impose new "fiscal" duties, any party who feels injured by these changes may denounce the convention. The contracting parties also agree not to aggravate the existing situation with regard to import and export prohibitions and restrictions. The convention has to be ratified by the signatory countries before November 1, 1930, and the parties who have ratified are to meet between November 1st and November 15th to fix the date for its coming into force. The convention is concluded for one year as from April 1, 1930, and, if not denounced by February 1, 1931, it is to remain in force for another six months and similarly for successive half-year periods. In case of withdrawal by any of the parties a conference may be convened to decide whether the convention shall be maintained.

c. The Balance of Payments.

It follows from the better position of Germany's foreign trade that the balance of payments should have improved also. The balance of payments, of which the balance of trade forms a part, takes account not only of the import and export of goods but of all the other services and things of value exchanged between Germany and the rest of the world. In many respects these other services and things of value can be expressed only conjecturally in terms of figures. Nevertheless it is interesting to bring together such elements as can be stated in fairly exact terms, so as to give some picture of the balance of payments as a whole. During the fifth Annuity year the rising volume of the export trade, bringing with it a much smaller deficiency in the merchandise trade balance, was associated on the other side of the account with a much reduced volume of borrowing, and this notwithstanding the increase in reparation payments to the level of the standard year.

1. Analyses by Annuity Years.

In preceding annual Reports analyses of the balance of payments for the respective Annuity years, beginning September 1st and ending August 31st, have been made within such limits as the available figures permitted, and a similar statement for the fifth Annuity year is given below, together with a brief statement of the main characteristics of the earlier years. Inasmuch as many of the so-called invisible items entering into a balance of payments are necessarily matters of estimate and deduction, no effort has been made to make the statements fully comprehensive. The items selected for presentation are based upon the broader but still partly conjectural statements published by the Reich Statistical Office. Wherever the merchandise balance enters into the statement, imports and exports have been adjusted according to the coefficients of the Reich Statistical Office, in order to correct the over-statement of imports and the under-statement of exports which were inherent in the official figures up to the time when the new foreign trade reporting procedure became effective. It should also be explained that wherever reparation payments enter into the calculations the figures used are those for transfers made in foreign currencies only. Deliveries in kind have been omitted for the sake of simplicity from both sides of the balance; their value has been given neither among the exports from Germany nor among the payments made by Germany.

In the first Annuity year, a year of restocking and reconstruction, the large imports of goods, which far exceeded the relatively small amount of exports, placed a heavy burden upon foreign credit at both long and short term. In the second Annuity year, a year which included practically the whole of the rationalization crisis in business, the much reduced imports of goods, which the moderately increased exports somewhat exceeded, placed no burden at all upon foreign credit, and the long-term loans then issued served in effect to refund a large part of the short debt incurred in the previous year. In the third Annuity year, a year of large and rising business

activity, stimulated in part by the borrowing and spending programmes of the public authorities, very large imports, which far exceeded the rising values of exports, again placed a heavy burden upon foreign credit. In the fourth Annuity year, a year when the business activity of the preceding period reached a maximum and then somewhat receded, imports of goods were again very large and together with imports of gold still far exceeded the increased values of merchandise exports, with the result that there was again a heavy dependence on foreign credit.

In the fifth Annuity year, a year of large industrial production but of difficult credit conditions, imports of goods remained very large but a further rise in the value of exports much reduced the requirements for credit from abroad. The deficiency in the merchandise trade balance, after making allowances for errors in the figures up to the time when the new reporting system became effective, amounted to about 1,080 millions. To this deficiency must be added the transfers in foreign currencies on reparation account, which amounted to 1,419 million gold marks, and a further slight addition made to cover the year's increase in the Reichsbank's reserves of gold and devisen amounting to 48 million reichsmarks. In total, and disregarding items such as interest on foreign debt, travellers' expenditures, wages of foreign workmen, and so on, the deficiency may be estimated at about 2,550 million reichsmarks.

Against this deficiency are to be placed only three items which can be stated even approximately. The first is the effective amount of capital issues placed abroad during the period, estimated at about 600 millions. The second item covers the net amount estimated to have been paid to Germans on shipping and transportation account, about 400 millions. The third is an item of about 300 millions, roughly stated, representing the return to German possession of property sequestered in the United States during the war. These items reduce the deficiency to about 1,250 millions, or considerably less than in either of the two preceding years. Conjecturally, this deficiency, together with such supplements to it as may be represented in various undetermined items, was covered by short loans, acceptance credits granted by foreign banks to German firms through the medium of German banks, participation by foreigners in German business enterprises, and so on.

2. Estimate by Calendar Years.

The latest date covered by the preceding analyses is August 31, 1929, with the result that the important final months of 1929 are left out of account. There has recently become available, however, a condensed estimate of the balance of payments for the calendar year 1929 which is given below as a matter of information.

This estimate was published under date of December 31, 1929, by the Reichs-Kredit-Gesellschaft, a banking institution indirectly owned by the Reich, in its report on the German economic situation at the turn of the year 1929-30. The estimate for the calendar year 1929 is necessarily provisional because detailed figures for

the final months of the year were not yet in hand; but it offers a useful basis for comparison with preceding years pending the publication of the estimate of the Reich Statistical Office which ordinarily appears sometime in May. The following table reproduces the items for the years 1927, 1928 and 1929 as they appear in the Reichs-Kredit-Gesellschaft's report. It should be added that the estimates for the years 1927 and 1928 resemble closely the Statistical Office's published estimates for those years, but are stated in simplified form.

Reichs-Kredit-Gesellschaft's estimate of German balance of payments (In 1,000 millions of reichsmarks, round amounts)	1927	1928	1929
<i>Assets</i>			
I. RECURRENT ITEMS			
Exports (not including gold and silver)...	10.51	11.80	12.80
Reparation payments			
(a) deliveries in kind	0.57	0.70	0.90
(b) in Germany	0.08	0.07	0.07
Surplus from services rendered	0.30	0.29	0.36
II. NON-RECURRENT ITEMS			
Gold surrendered by the Reichsbank	—	—	0.47
Falling off in the foreign exchange holdings of the Reichsbank	0.49	0.07	—
Influx of funds released by America	—	0.04	0.27
Imports of capital			
(a) loans	1.61	1.35	0.35
(b) short-term credits to the Reich	—	—	0.21
(c) other short-term credits	1.90	1.58	1.72
(d) other imports of capital (balance) ..	0.73	1.33	
Totals	16.19	17.23	17.15
<i>Liabilities</i>			
I. RECURRENT ITEMS			
Imports (not including gold and silver) ..	14.00	13.60	13.60
Reparation payments (as from September, 1929, on the basis of the Young Plan) ..	1.58	2.00	2.37
Balance of interest	0.45	0.70	0.86
Adverse balance of emigrants' and immi- grants' capital transactions	0.07	0.07	0.07
II. NON-RECURRENT ITEMS			
Increase in the visible foreign exchange holdings of the Reichsbank	—	—	0.25
Influx of gold into the Reichsbank	0.09	0.86	—
Totals	16.19	17.23	17.15

IX. German Business Conditions.

During the final months of 1929 and the first few months of 1930 the general volume of German production and trade, after a period in which previous figures had been surpassed in many lines of activity, has been distinctly below the average levels of the past two or three years. In some part, of course, this recession has been characteristic of the season, but it appears in the main to have been the result of a combination of forces, both internal and international, the nature of which has already been discussed in the chapter on credit. Recession in business activity in other countries and the world-wide decline in prices have been elements of uncertainty which have tended to restrain business progress in Germany, as well as abroad. Of the internal forces the one which retains the greatest importance is the depressing influence exercised by the tension in the public finances. In the face of the disordered conditions prevailing during most of the past year, producers and consumers have found it difficult to go ahead with their plans, and this hesitation has contributed materially to the decline of production and to the falling off in trade; while the capital which would otherwise have been available for productive business and industry has been largely absorbed by the ever-pressing demands of the public authorities. Indeed, the duration of the present recession is likely to depend in considerable measure upon the steps which are taken to reestablish order in the public finances, and the speed with which they are put into effect.

The slowing down in business over the turn of the year came at the close of a period which furnished a striking example of the vigor of the German economy under adverse conditions. During the calendar year 1929 the physical volume of production and distribution taken as a whole was even slightly larger than in 1928 and 1927, years which comprised a period commonly recognized as one of large business activity. In particular fields, notably in the heavy industry, the volume of production exceeded that of any previous year since stabilization. In other fields, particularly in the textile industry and in the industries making luxury articles and goods for home consumption, conditions were less favorable, and the year as a whole was characterized by moderate to small production. In general, it appears that the industries with the largest volume of production were those participating in the expansion of the export trade, or those benefiting indirectly from it. In response to the growing vitality of the export trade, and under pressure of difficult credit conditions, there were highly significant changes during the year in the direction of business. More goods than ever before passed into foreign trade, and exports and imports were brought into balance at an average level of about 1,120 million reichsmarks per month. In domestic business there was a tendency for trade in articles of subsistence and in the less expensive articles of enjoyment to increase, and for trade in luxuries and fine goods to diminish. This latter development is consistent with a moderate further increase in the purchasing power of wage-earners and a decline in the purchasing power of various other sections of the population, particularly those

who before the inflation derived a substantial part of their income from fixed investments.

On the side of industrial organization, there have been further important developments. The movement toward concentration has resulted in a further reduction in the number of enterprises and in the extension of the influence of cartels and trade associations. A noteworthy step in this direction was taken toward the close of 1929 when the Rohstahlgemeinschaft (the Raw Steel Association) was enlarged to include practically all German producers, with provision for the prolongation of its activities up to ten years. Another development of primary importance is the community of interest established early in 1930 between the two leading German merchant-shipping concerns. In April, 1930, an agreement, which is still awaiting ratification, was also concluded for the prolongation of the German Coal Syndicate for a period of ten years, to March 31, 1940. Other phases of rationalization have shown themselves in the shape of further improvements in business methods and factory organization.

The present position of German business as a whole is best to be understood in the light of what has occurred heretofore, in the period since the stabilization of the currency. In the autumn of 1925, German industry and trade started on a course of drastic readjustment and rationalization which involved radical reductions in staff, acute unemployment, a limited volume of production and general depression in business. By the autumn of 1926 recovery was well under way and the next fifteen months covered a period of high and rising business activity. This expansion had a special stimulation from the very free use of credit, both domestic and foreign, particularly on the part of the public authorities, and toward the close of 1927 business was running on an exceptionally high level of activity. During the early part of 1928 there came the natural reaction from these conditions, and with it a considerable decline from the peak of production and a small decline in the volume of consumption; but for the year as a whole, in spite of the dislocation resulting from the November lock-out in the Rhenish-Westphalian iron and steel industries, the average level of production stood on a high plane and showed only a slight reduction as compared with the previous year. During 1929, in spite of considerable fluctuations in business, and notwithstanding weather of unprecedented severity in the first quarter, the uncertainties of the reparation conferences, the constant financial difficulties of the public authorities, and the general reduction in the flow of fresh funds from abroad, the physical volume of production and trade reached equal or even slightly larger totals on the whole than in any previous year since stabilization.

From the standpoint of the German economy it is not sufficient, of course, that the general volume of business should merely hold its own with previous years. It is necessary for it to increase, if for no other reason because of the year-to-year growth of the population. Recently the German population, according to the official figures, has been rising at the rate of about seven-tenths of one per cent a year, but by reason of the larger birth rate immediately before the war the population eligible for gainful

employment has been rising at a rate about twice as fast, equivalent to about one and one-half per cent a year. Simultaneously with this increase in the number of potential workers, German industry has been perfecting its processes and adding to its efficiency, with the result that it has enabled itself to produce more goods with less labor. Accordingly, the volume of business has to increase at a rate considerably faster than the growth of the working population if the problem of unemployment is to be kept on an even keel.

Since the early part of 1926, the physical volume of production and distribution has followed in the long term a generally upward curve, which is not to be obscured by the special expansion which came at the close of 1927, with its inevitable reaction, or by the temporary recession which occurred in the winter of 1928-29, or by the recession which is now in process. But the increase in business does not appear to have been sufficient as yet to take care of more than about half of the annual increase in the number of eligible workers. There is no doubt that on the whole actual employment has materially increased during the past few years, and stood in 1929 at a level much higher than in the years before the war. At the same time, owing to the increase in the eligible working population, basic unemployment has also risen to a considerable extent, and it still presents a serious problem not merely for the public finances but for the German economy as a whole.

Relief from this problem of a rising volume of basic unemployment, which is described more fully in a later section of this chapter, is to be looked for from three principal sources. The first centers on the fact that after 1932 the low birth rate during the war is due to be reflected in an actual decline in the number of eligible workers, and, other things being equal, should produce a reduction in the volume of basic unemployment. The second is a question of markets, both abroad and at home. Ever since stabilization the foreign market for German goods has responded to the energetic efforts of German exporters, and the volume of exports has consistently and rapidly risen. The domestic market has shown greater variation, and has reflected more or less faithfully the prevailing credit conditions. Credit, the third source from which relief may be expected, passed in 1929 through an extremely difficult stage, as has been seen in the chapter on credit; and the relative ease of money in the early months of 1930 does not yet appear to have stimulated trade in the face of the uncertainties engendered by falling prices and the state of the public finances.

On the whole the 1929 harvest, according to the official estimates, produced a yield larger than in any recent year other than 1928, and the good harvests of 1928 and 1929 taken together have been of great assistance to the German economy as a whole by making it possible to do with smaller imports of foodstuffs. The prices, however, at which the new crop could be sold were even lower in most cases than a year ago, and this decline, though of benefit to consumers, seriously complicated the already difficult position of agriculture.

The question of the profits derived by industrial and trading concerns remains obscure. The Reich Statistical Office has attempted to arrive at general conclusions by analyzing the annual reports of numerous enterprises, but the results are suggestive rather than definite. For example, the net profits reported by about 1,200 concerns with business years ending in the last quarter of the calendar year, amounted in 1927 to 637 million reichsmarks and in 1928 to 621 million reichsmarks, and the ratio of dividends to capital changed from 7.17 per cent to 7.12 per cent. For about 400 concerns with business years ending in the first half of 1929, the results were also practically identical from one period to the next. Reports from a few important concerns which have already issued statements for business years ending at later dates in 1929 also show almost no change from the preceding year. In a broad sense, the figures for profits support the conclusion drawn from the figures for production and distribution, namely, that taking each year as a whole there has not been any marked change from the level established on average in the year 1927; but, in a stricter sense, the figures often appear to reflect dividend and accounting policy rather than the absolute results of the years in question.

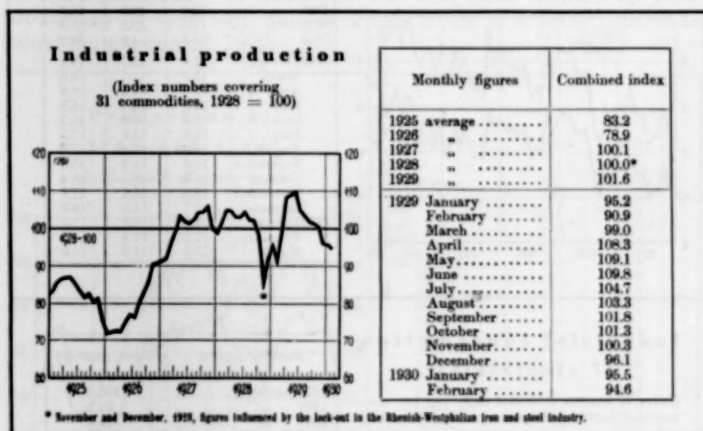
In the following sections comment will relate chiefly to matters not directly apparent from the diagrams and tables, which for the most part will be left to speak for themselves. In all cases figures are derived from official sources, mainly from the Reich Statistical Office or its associated organization, the Institut für Konjunkturforschung.

a. Volume of Industrial Production.

The official figures for industrial production in Germany, which now cover a considerably broader field than in previous years, give in brief the following results: Although in the course of 1929 the level of industrial activity varied within wide limits, taking the year as a whole the general index of production averaged about $1\frac{1}{2}$ per cent higher than in 1927 or 1928, when in turn production was much higher than in any other post-stabilization year. The production of coal and lignite, various non-ferrous metals, and the amount of electricity utilized by industry were considerably above previous years, while the production of steel and pig iron, machinery and paper was in about the same volume or slightly above that of the most active prior year. No figures are available to show the position of the important chemical and electro-technical industries, but their general statements report a large volume of production. On the other hand, there was a distinct falling-off in the production of passenger automobiles, household porcelain, linen and cotton yarns, and such articles as pianos and timepieces. In some particulars the available production figures cover only one phase of an industry, and the figures for the production of yarns, for example, are symptomatic of the position in the textile industry as a whole. In general, it appears that the industries reporting the largest volume of production have

been the industries participating in the expansion of export trade, or those basic industries which have benefited indirectly from that expansion; and that the industries which have reported diminished production are those making luxury articles or goods marketed chiefly at home. In most cases production figures declined over the turn of the year to substantially the levels of the corresponding months of 1928-29, when, however, the extreme weather furnished a special cause for slower business. The textile industry, on the other hand, has shown some degree of improvement, and in recent months the figures for the production of cotton and linen yarns have been running at or above the average of 1928.

The following diagram and table give the new general index of industrial production computed by the Institut für Konjunkturforschung. It replaces the former index computed by the Institut, which has been published in previous Reports, and is considerably more comprehensive. It covers 31 commodities and has been designed to give equal emphasis to production by basic industries on the one hand and production by transforming industries on the other. It is estimated that the index as it now stands covers about 25 per cent of the total value of goods produced in Germany, about 28 per cent of persons gainfully employed and 22 per cent of utilized energy.

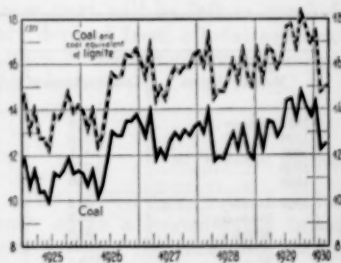


The index takes as its base the 1928 average and shows an average for 1929 of 101.6, as against 100 in 1928 and 100.1 in 1927. The marked decline in production at the close of 1928, as illustrated in the diagram, reflected the lock-out in the Rhenish-Westphalian steel and iron plants, effective during the month of November and the early part of December, 1928, which has been described in previous Reports. During 1929, for all the eight months from April through November the index stood above the 1928 average, but there was a decline at the end of the year and the provisional figures for January and February, 1930, stood only slightly above the level of the corresponding months in 1929.

During 1929, taken as a whole, the monthly average production of coal and lignite (the latter taken at its coal equivalent) exceeded the monthly average of the preceding year by more than one million tons, and the volume of coal and lignite mined in October, 1929, was the largest for any month thus far. In January, 1930, production of coal and lignite remained at about the high level established during the second half of 1929, but in February and March, partly in response to mild weather conditions, it declined to a level lower than in any month since April, 1928. About 40 per cent of the increased production in 1929 passed into export trade, which also continued large in the early months of 1930. Industrial consumption, reflecting fluctuations in general industrial activity, was relatively small in the winter of 1928-29 and again in the winter of 1929-30, but large during the other months of last year. Demand from local dealers supplying household and other small needs, following the cold winter of last year, continued large through 1929 but moderated during the mild

Production of coal and lignite

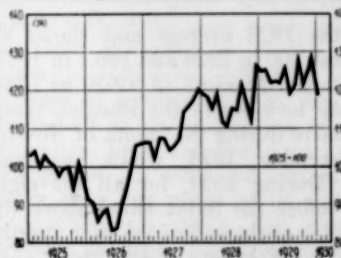
(In millions of metric tons)



Monthly totals	Coal	Lignite	Coal and coal equivalent of lignite
1925 average..	11.1	11.6	13.6
1926 " ..	12.1	11.6	14.7
1927 " ..	12.8	12.5	15.6
1928 " ..	12.6	13.8	15.6
1929 " ..	13.6	14.6	16.9
1929 February..	12.1	13.7	15.1
March ...	13.5	14.7	16.8
April	13.4	14.2	16.6
May	12.8	13.7	15.8
June	13.2	13.8	16.3
July	14.4	14.9	17.7
August ...	14.5	15.1	17.8
September ..	13.5	14.2	16.6
October ..	14.8	16.1	18.4
November ..	14.2	15.6	17.6
December ..	13.7	14.5	16.9
1930 January ..	14.4	14.0	17.5
February ..	12.2	11.4	14.7
March ...	12.5	11.3	15.0

Industrial consumption of electricity

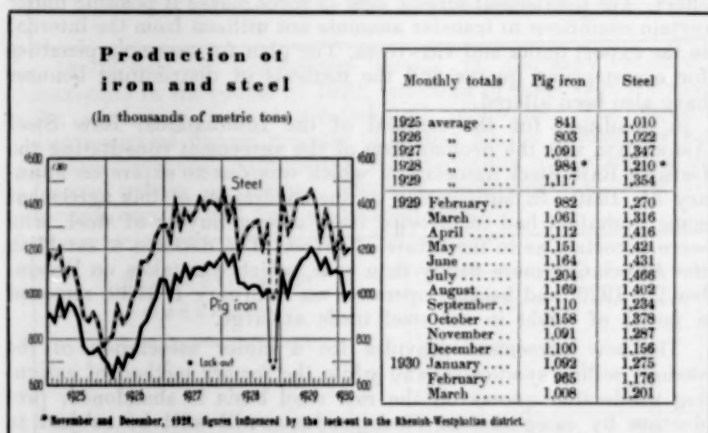
(Index of current delivered daily per kw. connected capacity by 103 power plants, 1925 = 100)



Monthly figures	Index numbers
1925 average.....	100.0
1926 "	92.2
1927 "	106.4
1928 "	116.7
1929 "	123.9
1928 December	126.6
1929 January	125.1
February	125.2
March	121.9
April	122.6
May	122.0
June	126.0
July	118.9
August	121.2
September	128.7
October	120.4
November	124.7
December	129.3
1930 January	118.8

weather at the beginning of 1930. In consequence of reduced demand since the turn of the year, stocks of coal and coke have increased considerably, and at the end of March, 1930, stocks of coal held by the German Coal Syndicate were reported at 4,500,000 metric tons as compared with 1,400,000 on the same date a year ago, while those of coke were 2,400,000 metric tons as compared with about 400,000 last year.

During the twelve months of 1929, taken as a whole, the volume of iron and steel produced was larger than in any year since stabilization. Pig iron output amounted, for example, to 13,401,000 metric tons, as compared with 11,804,000 metric tons in 1928, and 13,089,000 metric tons in 1927. Similarly, the output of raw steel was 16,246,000 metric tons in 1929, as compared with 14,517,000 metric tons in 1928, and 16,167,000 metric tons in 1927. Much of the increase in the production of iron and steel passed into the export trade. In 1929, the general group of iron and steel exports reached 5,820,000 metric tons, an increase of about 790,000 tons over the previous year, while at the same time the volume of iron and steel imports declined. After the middle of 1929, exports of iron and steel fell off slightly, and this reduction was reflected in the production figures. Domestic demand was only moderate throughout the year, without any marked tendency either upward or downward. In the final months of 1929 and the first three months of 1930 production of both iron and steel has fallen to a level somewhat below the average of 1929.



In response to the larger world demand for iron and steel prevailing in the early part of 1929, the International Raw Steel Association, on April 1, 1929, as indicated in the last Report, raised the annual total contingent of steel production allowed to its members by about 7 per cent, and on July 1, 1929, it made a further increase of about 3.2 per cent. On November 1st, however, owing to diminished demand, the contingent was reduced to about the level prevailing during the first quarter of 1929. After this change, the production quota for Germany stood at

about 3,100,000 metric tons a quarter as compared with about 3,485,000 tons under the contingent previously in force. At the beginning of December the Association placed further restrictions on production, limiting the maximum for that month to an amount 10 per cent below the level of actual production in the month of October, 1929. These restrictions were continued in effect during the early months of 1930.

The agreement constituting the International Raw Steel Association, which was the subject of active negotiations in December and January, has been provisionally prolonged to September 30, 1930, under conditions which considerably modify its scope and character. One of the important modifications was an agreement in principle that the Association shall establish organizations for the sale of steel products. On February 1, 1930, a preliminary step in this direction was taken with the establishment of an "office of export and allotment", the duties of which for the time being have to do with the repartition of orders and the compilation of statistics, particularly as regards exports. This office is intended to become later the Association's selling organization. Export quotas have been recalculated on the basis of actual exports for a period of 22 months beginning January 1, 1928, with due allowance in the case of Germany for the conditions obtaining in the last quarter of 1928 owing to the lock-out in the Rhenish-Westphalian district. The effect of this measure has been to raise the German quota above the limit of 330,000 tons per month previously in effect. The provisional scheme now in force makes it possible under certain conditions to transfer amounts not utilized from the internal to the export quota and vice-versa. The plan for assessing penalties for overstepping quotas and the methods of distributing bonuses have also been altered.

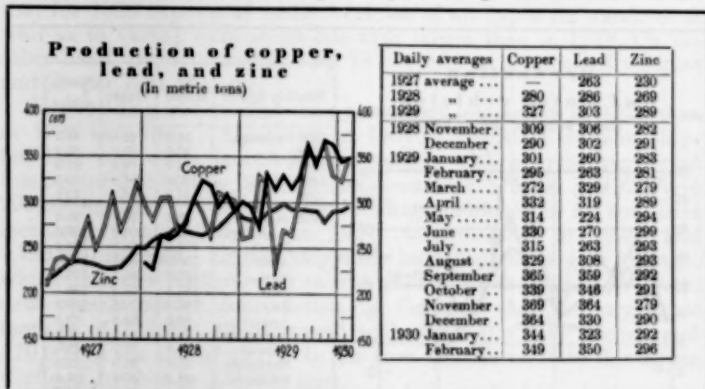
A condition for the renewal of the International Raw Steel Association was the prolongation of the agreement constituting the German Raw Steel Association, which was due to expire on January 31, 1930. In anticipation of the expiration of this agreement some hesitation had manifested itself among buyers of steel, who were uncertain as to the future of prices. The decision to establish the Association more firmly than ever, which was taken on December 20, 1929, and became operative on February 1, 1930, removed a factor of doubt in the steel trade at large.

The new agreement provides for a closer association of the various selling syndicates, and while the former method of assigning production quotas on the raw steel basis is abandoned, production by categories of steel products will still be subject to control through the Association's subsidiary syndicates. The new agreement is to continue for ten years, subject, however, to the possibility of termination in certain circumstances after five years. The Association as now formed covers practically the entire body of German raw steel producers.

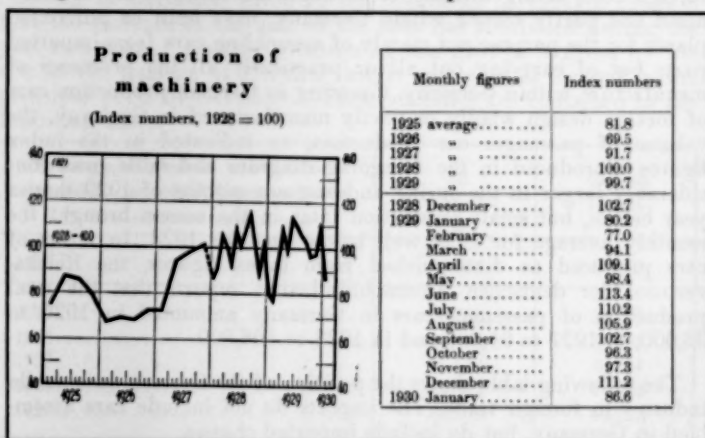
Since May, 1929, when the basic price of pig iron was raised, domestic prices of iron and steel have remained unchanged. Steel scrap prices on the open market rose from 56 reichsmarks a metric ton early in 1929 to 67 reichsmarks in June. After remaining at or about that figure until the autumn, scrap prices declined to about

49 reichsmarks a ton at the end of March, 1930, the lowest quotation since the spring of 1926, and continued at this level during April.

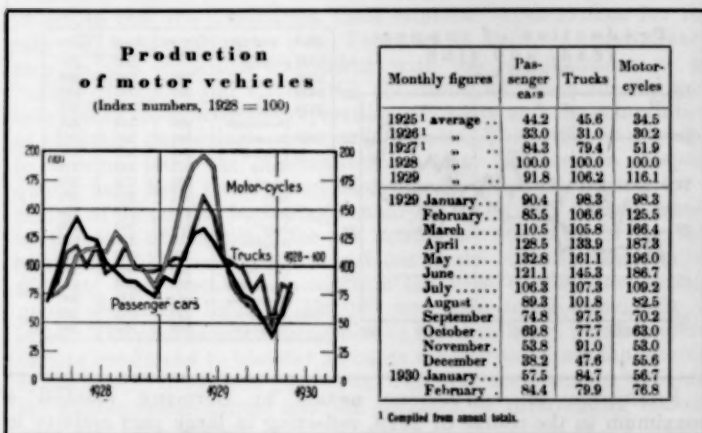
On the principal export markets, prices of steel rose in the early part of 1929, but there was a decline in the second part of the year, bringing the price level well below that prevailing at the beginning of 1929. At the beginning of 1930 the members of the International Raw Steel Association, in connection with its reorganization, reached an agreement on minimum export prices, the result of which was a general rise of 1 to 3 per cent, effective the middle of February, 1930, above the prices prevailing in December.



Production of non-ferrous metals in Germany reached a maximum in the course of 1929, reflecting in large part activity in the machinery and electro-technical industries. The foregoing diagram gives figures recently published by the Institut für Konjunkturforschung, representing the production of the leading non-ferrous metals in German refineries, including that made from foreign ores but not that made from scrap.



In 1929 deliveries of machinery, other than electro-technical machinery, were at a level less than 1 per cent smaller than in 1928 and about 10 per cent larger than in 1927. Deliveries of machinery, which are accepted as a fair reflection of the volume of production, as well as orders received, reached a high point in the middle of the year, but subsequently declined, and in the last quarter of 1929 shipments were about 4 per cent smaller than in the preceding quarter. Domestic orders throughout the year were smaller than in either 1927 or 1928, while foreign orders were much larger than in any other year. The decline during the latter part of the year, however, affected both domestic and foreign orders.



The German automobile industry has proceeded further with consolidating plants and enterprises and in reducing the number of types of cars. At the same time certain leading manufacturers of foreign cars, acting directly or through associated concerns organized and partly owned within Germany, have built or purchased plants for the purpose not merely of assembling cars from imported parts but of carrying out all or practically all the processes of manufacture within Germany. Counting as German production cars of foreign design wholly or partly manufactured in Germany, the volume of passenger car production, as indicated in the index figures reproduced in the foregoing diagram and table, was considerably larger in the spring and summer months of 1929 than a year before, but small production later in the season brought the monthly average for 1929 well below that for 1928. In terms of cars produced as distinguished from index figures, the Reichsverband der deutschen Automobilindustrie reports that the total production of passenger cars in Germany amounted in 1926 to 36,000, in 1927 to 91,000 and in 1928 to 108,000.

The following table shows the position of the German automobile industry in foreign trade. The imports do not include cars assembled in Germany, but do include imported chassis.

Foreign trade in motor vehicles (In number of vehicles)	Imports			Exports		
	Cars	Trucks	Motor-cycles	Cars	Trucks	Motor-cycles
1925	9,595	277	4,117	1,491	296	1,351
1926	9,697	1,744	3,893	1,267	814	2,156
1927	11,383	620	6,189	2,688	1,374	3,715
1928	17,819	220	9,512	4,578	3,413	4,681
1929	14,529	357	7,793	4,809	2,975	7,540

It is noteworthy, in supplement to the figures given in the table, that for 1929 exports of motor vehicles of all types (in numbers as well as in value) were about one-fifth larger than in 1928. On the other hand, imports declined by 18 per cent in number of vehicles and 28 per cent in value.

Shipbuilding in Germany was somewhat less active in 1929 than in 1928 and 1927. According to Lloyd's Register, German shipbuilding companies launched new vessels with a gross registered tonnage of 249,000 in 1929, as compared with 376,000 in 1928, and 290,000 in 1927. The gross new tonnage launched in all countries increased from 2,286,000 in 1927, to 2,699,000 in 1928, and 2,793,000 in 1929. British shipyards launched the largest tonnage, while Germany continued in second place. At the end of the year, new vessels under construction in Germany had an aggregate tonnage of 253,000, as compared with 392,000 a year earlier, and 470,000 at the end of 1927. In the first quarter of 1930 this figure declined further to 231,000 tons.

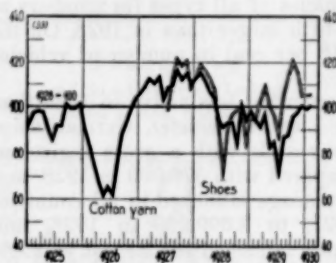
No official statistics showing the growth of the German merchant fleet have been published since those given in the Report of December 22, 1928, which showed the status as at January 1, 1928. By that time the gross registered tonnage of German merchant vessels afloat had grown from practically nothing at the end of 1918 to a total of 3,678,000 tons, or about 70 per cent of the tonnage at the beginning of 1914. The figures of Lloyd's Register on shipbuilding in Germany, given in the preceding paragraph, indicate that the increase in the size of the fleet has continued during the past two years. Further evidence of this growth is given by the rise in the tonnage of German vessels entered and cleared in the principal ports of Germany. These statistics are contained in the following table:

Tonnage of vessels entered and cleared in principal German ports (In thousands of net registered tons)	All vessels	German vessels
1913.....	62,663	37,647
1925.....	66,709	32,107
1926.....	76,674	35,393
1927.....	81,156	40,644
1928.....	86,852	44,722
1929.....	86,908	46,277

The tonnage of all vessels entered and cleared through German ports has increased considerably since stabilization, but the tonnage representing German ships has increased somewhat more rapidly and in 1929 the portion covered by German ships amounted to 53 per cent of the total, as compared with 52 per cent in 1928, 48 per cent in 1925, and 60 per cent in 1913.

Production of cotton and linen yarns and shoes

(Index numbers, 1928 = 100)

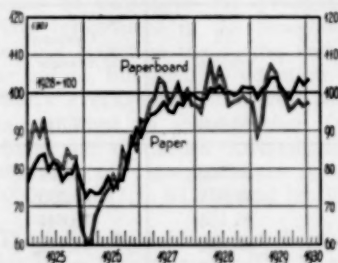


Monthly figures	Cotton yarn	Linen yarn	Boots and shoes
1925 average	95.6	156.3	—
1926 "	80.4	102.6	—
1927 "	110.6	162.6	—
1928 "	100.0	100.0	100.0
1929 "	90.5	88.1	103.8
1929 January ...	98.2	92.3	95.6
February ...	93.9	89.9	94.3
March	91.1	94.7	102.7
April	97.1	94.7	109.5
May	82.5	80.2	100.4
June	85.3	53.4	96.3
July	70.9	60.7	86.9
August	86.7	92.3	104.7
September ...	87.6	89.9	114.0
October ...	95.3	102.0	120.7
November ...	97.4	104.5	115.4
December ...	100.4	102.0	104.8
1930 January ...	99.2	104.5	105.4
February ...	100.3	106.9	—

Since 1927 the production of cotton yarns has declined each year by about 10 per cent, and in 1929 was only about 10 per cent larger than in 1926. During the second part of 1929 production rose again, and in the first two months of 1930 the output of cotton yarns and also that of linen yarns reached the highest level since the first half of 1928. The number of cotton spindles in Germany, which increased from 9.5 millions in 1924 to 11.2 millions in 1928, or about 18 per cent, remained practically unchanged in 1929. The total is now nearly the same as in 1913 within the former frontiers of the Reich. The utilization of cotton yarns in

Production of paper and paperboard

(Index numbers, 1928 = 100)

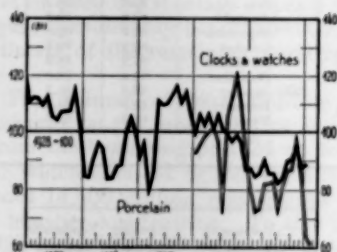


Monthly figures	Paper	Paperboard
1925 average	80.1	83.8
1926 "	78.0	74.8
1927 "	95.4	98.4
1928 "	100.0	100.0
1929 "	101.3	98.3
1928 December ...	101.1	97.7
1929 January ...	101.3	97.2
February ...	98.3	88.2
March	100.7	92.4
April	101.6	103.4
May	103.8	107.0
June	104.0	105.0
July	101.4	101.0
August	99.7	99.0
September ...	98.2	95.2
October ...	100.8	96.4
November ...	103.8	97.8
December ...	102.0	96.4
1930 January ...	103.6	97.3

Germany, which rose to 439 million kilograms in 1927, declined to 331 millions in 1929. No production data are available with regard to the wool and silk industries but as measured by the figures relating to employment in those industries, activity in 1929 was also somewhat less than in 1928.

Production of porcelain, pianos and timepieces

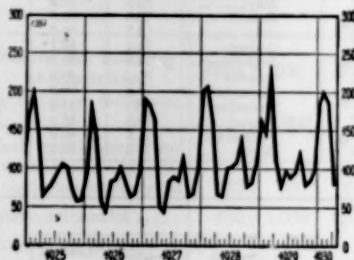
(Index numbers, 1928 = 100)



Monthly figures	Porcelain	Pianos	Clocks and watches
1925 average ...	108.8	—	—
1926 " ...	91.4	101.5	—
1927 " ...	103.7	117.2	—
1928 " ...	100.0	100.0	100.0
1929 " ...	87.4	76.0	82.0
1929 January ..	87.2	92.4	80.6
February ..	84.6	73.9	72.5
March	85.6	72.8	73.5
April	90.4	81.4	82.2
May	85.7	71.5	82.2
June	85.6	65.7	83.2
July	82.2	53.0	72.5
August ...	84.3	56.3	80.9
September ..	89.8	73.3	86.8
October...	90.7	80.0	87.3
November ..	95.5	89.4	98.0
December ..	87.7	102.2	84.7
1930 January ..	88.8	—	63.8
February ..	—	—	61.2

Potash sales

(In thousands of metric tons)

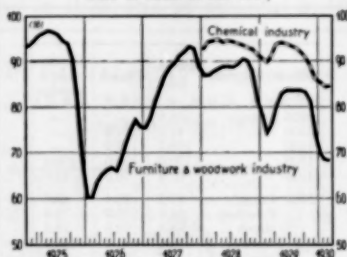


Monthly totals	In terms of pure potash
1925 average	102.1
1926 "	91.7
1927 "	103.3
1928 "	118.4
1929 "	116.8
1929 March	233.0
April	112.5
May	77.3
June	97.7
July	89.2
August	95.4
September	123.5
October	79.2
November	84.7
December	99.6
1930 January	186.0
February	202.7
March	187.5
April	79.7

For industries other than those illustrated in the foregoing diagrams and tables practically no production figures are available either in terms of physical volume or in the form of index numbers; but the employment returns which the trade unions make to the Ministry of Labor may be taken as giving a fair indication of productive activity in a few additional branches of industry in default of any other numerical data. Comparisons on this basis, however, are valid for short periods only. Fundamental changes in manufacturing methods, as, for example, those which substitute machine for hand labor, would be reflected in the returns as a lowering of production, whereas the reverse might well be the case. The percentages are also affected by changes in the number of members of the reporting trade unions. Within the past year, as in previous years, the total membership of the reporting unions has increased.

Activity in woodwork and chemical industries

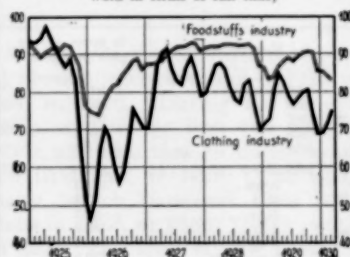
(Fully employed in percentage of reporting
members of trade unions, including part-time
work in terms of full time)



End-of-month figures	Furniture and woodwork	Chemical industry
1925 average	91.5	—
1926 "	68.1	—
1927 "	86.7	—
1928 "	88.0	93.6
1929 "	80.4	91.4
1929 February	74.1	89.6
March	76.2	91.1
April	80.2	93.7
May	82.7	94.2
June	83.6	93.8
July	83.6	93.2
August	83.6	92.8
September	83.6	92.0
October	83.2	90.8
November	81.2	88.9
December	74.4	86.0
1930 January	69.8	85.2
February	68.5	84.4
March	68.3	84.6

Activity in clothing and foodstuffs industries

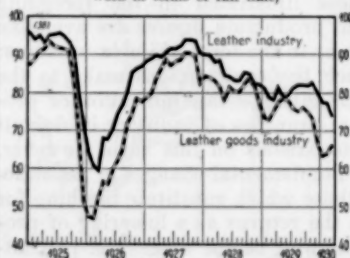
(Fully employed in percentage of reporting
members of trade unions, including part-time
work in terms of full time)



End-of-month figures	Clothing industry	Foodstuffs industry
1925 average	85.6	89.5
1926 "	63.4	81.4
1927 "	83.9	90.2
1928 "	80.8	91.7
1929 "	77.4	87.5
1929 February	72.8	83.3
March	80.3	83.7
April	84.7	86.5
May	82.5	87.9
June	78.8	89.0
July	76.7	88.0
August	78.4	89.1
September	79.8	90.1
October	80.4	90.4
November	73.6	90.3
December	68.7	85.4
1930 January	69.3	85.2
February	71.6	83.9
March	77.4	83.1

Activity in leather industry

(Fully employed in percentage of reporting
members of trade unions, including part-time
work in terms of full time)



End-of-month figures	Leather industry	Leather goods industry
1925 average	91.0	86.1
1926 "	73.3	62.3
1927 "	91.1	86.1
1928 "	85.5	82.3
1929 "	80.7	74.8
1929 February	78.7	72.7
March	78.1	74.9
April	81.6	77.4
May	78.9	78.6
June	79.4	78.0
July	81.2	75.9
August	82.0	75.1
September	82.0	76.2
October	81.9	75.0
November	82.7	73.4
December	80.5	67.0
1930 January	77.6	63.4
February	77.2	63.9
March	74.3	66.2

b. Housing Conditions and Building Activity.

New construction, which appears from the published figures to have gone forward during 1929 at a rate rather higher than in any other recent year, has reduced the housing shortage to relatively moderate proportions. It will be recalled that in 1926 the Reich Ministry of Labor placed the urgent requirements for new dwellings at about 600,000. By the end of 1928 new construction had reduced the shortage to about 450,000, and at the same time had taken care of the 220,000 additional dwellings estimated to be required each year to house the increase in the number of German families. At the end of 1929 the shortage appears to have been further reduced to a figure considerably below 400,000, though there is no recent official estimate of the remaining requirements.

The volume of new building construction has placed heavy demands on the credit and capital markets ever since stabilization. From the beginning of 1924 up to the end of 1929, the latest date for which detailed figures are available, it has been estimated that about 14,500 million reichsmarks have been invested at long term in housing construction. To this figure must be added for the year 1929 about 400 million reichsmarks of intermediate short-term credits which, owing to conditions in the capital market, could not be converted into long-term credits during the course of the year. The total amount of funds invested in housing construction during 1929 would thus approximate 3,400 million reichsmarks, or somewhat more than in 1928. The following table shows the sources from which these funds have been derived.

Funds for housing construction (In millions of reichsmarks)	1924	1925	1926	1927	1928	1929 ¹	Total 1924 to 1929
Real estate credit institutions, savings offices, insurance concerns	83	237	601	1,080	1,450	1,210	4,661
Public authorities	650	1,000	1,500	1,580	1,275	1,200	7,205
Employers, builders or owners	385	540	290	390	475	550	2,630
Totals	1,118	1,777	2,391	3,050	3,200	2,960	14,496

¹ Estimated.

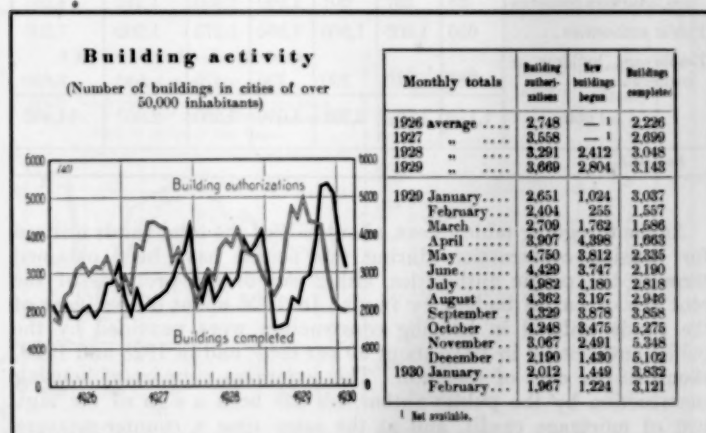
As the foregoing table shows, about half of the total funds utilized for housing construction during this period have been obtained through the public authorities, either out of the proceeds of the rent tax or out of budgetary funds. In 1926 about 60 per cent of the funds utilized in housing construction were provided by the public authorities; in 1927 about 50 per cent; and in 1928 and 1929, about 40 per cent of the total. This extensive support of housing construction by the public authorities has been a sign of the high cost of mortgage credit, and at the same time a counter-measure

to the repressive effects of rent control. The latter has operated to restrict the development of privately-financed housing activities, which are at a disadvantage in competition with the activities of the public authorities. New dwellings, for example, still have to compete with those finished before July 1, 1918, the rentals for which are limited by law. The level of controlled rents was raised on October 1, 1927, to 120 per cent of the pre-war charge, and has since remained unchanged.

The total value of new building in Germany since the beginning of 1924 has amounted to a little more than 40,000 million reichsmarks, according to the estimates of the Institut für Konjunkturforschung, which are summarized in the table below. Housing construction has accounted for somewhat more than one-third of the total and the remainder has been divided about evenly between construction of industrial and commercial buildings and construction of public buildings and works. During 1929, while the amount of housing construction increased, construction of industrial and commercial buildings fell slightly below the level of the preceding year and the construction of public buildings and works remained about constant.

Estimated value of new building in Germany (In 1,000 million reichsmarks)	1924	1925	1926	1927	1928	1929
Dwelling houses	1.10	1.85	2.10	2.90	3.20	3.50
Industrial and commercial buildings	1.23	2.16	1.84	2.53	2.99	2.70
Public buildings and works	1.11	1.81	1.85	2.38	2.72	2.70
Total....	3.44	5.82	5.79	7.81	8.91	8.90

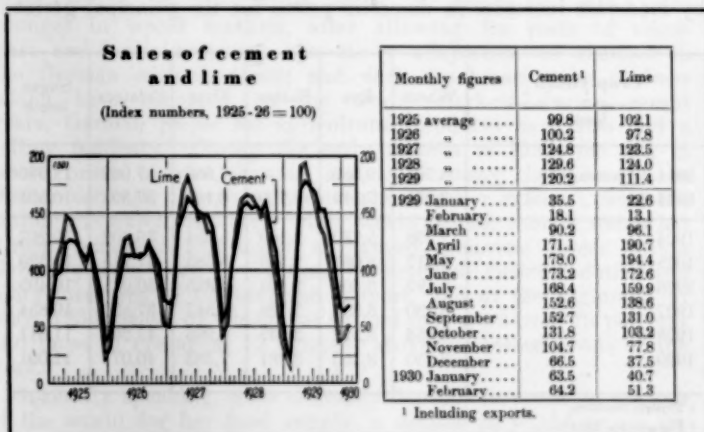
Generally similar results for the year 1929 as a whole appear in the figures showing building activity by units. During 1929 about 44,000 building authorizations were issued in cities of over

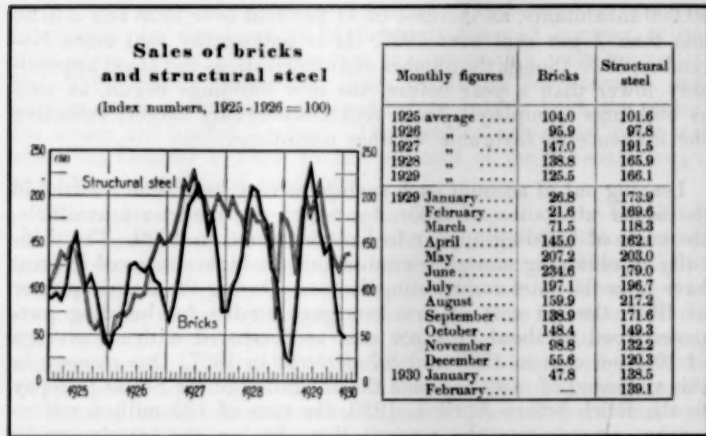


50,000 inhabitants, an increase of 11 per cent over 1928 and a little less than 3 per cent over 1927. It is noteworthy that since November, 1929, though the number of authorizations has stood appreciably lower than a year before, the new buildings begun, as well as buildings completed, have been considerably larger, reflecting the influence of favorable weather conditions.

Leaving out of account such savings as may have been realized in the better utilization of labor, for which no figures are available, the costs of building appear to have increased in 1929. The difficulty of obtaining mortgage credits and the higher rates of interest have been the chief contributing factors. During the fourth quarter of 1929, the net cost of first mortgage credits for building purposes stood at about 10.4 per cent as compared with an average of 10.1 per cent in 1928 and 8.7 per cent in 1927. One element in this stiffening of rates has been the obligation of the States to repay to the Reich before April 1, 1930, the sum of 120 million reichsmarks, representing the amount then due on the interim credit granted in 1926 for building purposes. Other expenses of construction also increased during the year, and the Statistical Office's index of building costs, based upon the 1913 average, rose from 172.5 per cent in December, 1928, to 181.1 per cent in December, 1929, representing chiefly an increase in the wages of building workers. Since the turn of the year this index has declined and early in April stood at 175.6.

Sales of building materials during 1929 have followed in general the course of building activity. As illustrated in the following diagrams, based upon figures published by the Institut für Konjunkturforschung, sales of important materials had been reduced during the winter of 1928-29 to almost negligible proportions, but they soon rose to exceptional levels with the resumption of out-of-door work. The averages for the year, however, have been on the whole slightly below the averages of previous years.





e. Agriculture.

The 1929 harvest, according to the estimates of the Reich Statistical Office, fell somewhat below the relatively large harvest of 1928, but still produced a yield on the whole larger than in any other recent year. The size of the 1929 crop, following the large harvest of the previous year, has been important for the nation as a whole because it has reduced the demand for imported foodstuffs and contributed materially to bringing German foreign trade into balance. But the prices which the producers were able to obtain for the crop were even lower in most cases than for the previous year, when the German crop was also in competition with large foreign crops coming into the world market. New customs tariffs, designed to give further relief to German agriculture from foreign competition, have recently been adopted by the Reichstag, as has been seen from the chapter on foreign trade, and these have been followed by moderate increases in domestic prices for the principal grains.

Crop yields (In thousands of metric tons)	Wheat	Rye	Barley	Oats	Potatoes	Sugar beets
1911-13 average ¹	3,765	9,585	—	7,680	37,962	13,986 ²
1924-28 "	3,075	7,111	2,709	6,181	37,394	10,591
1924	2,428	5,730	2,400	5,654	36,402	10,267
1925	3,217	8,063	2,599	5,585	41,718	10,326
1926	2,597	6,406	2,463	6,325	30,031	10,495
1927	3,280	6,834	2,738	6,347	37,550	10,854
1928	3,854	8,522	3,347	6,996	41,269	11,011
1929	3,350	8,155	3,181	7,383	40,077	11,091

¹ Present frontiers.
² Figures for 1914.

Each one of the six principal crops in 1929 appears from the estimates to have been above the 1924-28 average. At the same time it should be noted that all of these crops with the exception of potatoes appear to have been smaller than the 1911-13 average (within the present frontiers), as estimated by the Statistical Office.

There were no important changes from the previous year in the areas planted to the several crops, except for a reduction of some 100,000 hectares in land planted to wheat and a corresponding increase in the area planted to rye. Taking as a whole the areas planted to the six principal crops, it appears that in 1929 there was a small further increase, bringing the total to some 320,000 hectares more than the 1924-28 average. For the five principal crop areas for which figures are available, the total reduction from 1911-13 to the present amounts to about 750,000 hectares.

Area cultivated (In thousands of hectares)	Wheat	Rye	Barley	Oats	Potatoes	Sugar beets
1911-13 average ¹	1,657	5,164	—	3,884	2,758	467 ²
1924-28 average	1,619	4,607	1,473	3,490	2,796	418
1924.....	1,466	4,260	1,446	3,525	2,760	394
1925.....	1,552	4,709	1,435	3,452	2,800	403
1926.....	1,601	4,732	1,486	3,476	2,760	403
1927.....	1,749	4,698	1,478	3,476	2,800	434
1928.....	1,728	4,634	1,519	3,519	2,849	454
1929.....	1,600	4,727	1,552	3,559	2,835	455
¹ Present frontiers.						
² Figures for 1914.						

The decline in the prices of agricultural products has not been peculiar to Germany but has been world-wide. German grain prices on the whole move in sympathy with price changes in world markets, after allowing for costs of transport and for a more or less tardy adaptation to changes in the German customs tariff; and with the broad price declines which have occurred on the world markets during recent years, German prices for agricultural products have also had a falling tendency. During the early months of 1930, the fall in world prices became sharper, and in Germany there have been similar declines, though to a somewhat smaller extent. Since the middle of March, however, while world prices, though somewhat firmer, remained practically unchanged, domestic prices within Germany have risen in response to increased customs duties and other measures of Government support, and at the beginning of May, 1930, prices of wheat, barley and oats were over 25 per cent and those of rye about 15 per cent above the lowest levels of the year.

Generally speaking, since Germany depends so much on the rest of the world for her food supply, a decline in world prices for

foodstuffs is of undoubted value to the nation as a whole. And when, as appears in the main to have been true up to this time, the prices of exported industrial finished goods remain fairly steady, German foreign trade benefits on both sides of the account. Lower prices and somewhat smaller requirements have reduced the sums payable abroad for foodstuffs, and larger exports of finished goods have increased the sums receivable from abroad. The broad effects of these developments have already appeared in the chapter on foreign trade. The following table shows the part which crops and crop prices have played in this connection.

Agricultural products ¹ in foreign trade (In millions of marks or reichsmarks)	Grains and Flour			Other agricultural products		
	Imports	Exports	Import balance	Imports	Exports	Import balance
1908-13, monthly average ² ..	80.8	24.2	56.6	128.9	40.9	88.0
1925, monthly average.....	90.5	14.6	75.9	244.7	28.7	216.0
1926, monthly average.....	92.5	14.1	78.4	205.1	27.9	177.2
1927, monthly average....	133.5	8.5	125.0	227.0	28.2	198.8
1928, monthly average.....	108.6	20.4	88.2	241.7	32.2	209.5
1929, monthly average.....	77.2	21.4	55.8	240.9	37.1	203.8
1929, 1st quarter, monthly average.....	58.7	21.7	37.0	256.9	32.6	224.3
1930, 1st quarter, monthly average.....	91.9	14.1	77.8	232.4	31.4	201.0

¹ Foodstuffs and beverages.

² Former frontiers.

It is noteworthy that the net import balance of grains and flour in terms of money during the twelve months of 1929 was slightly smaller than the average annual net import balance from 1908 to 1913 figured on the basis of the former frontiers, which included certain important grain-growing regions that have ceased to be parts of Germany. But the import balance for other agricultural products remains steadily adverse, and has stood for the twelve months of 1929, as in several previous years, at about two and one-half times that prevailing before the war. These supplementary agricultural imports include a large portion of Germany's meat supply, milk products and vegetables and southern fruits and other foodstuffs. The increase reflects in part higher prices as compared with before the war, and in part a physical growth of imports. Partly as an offset to the small imports in 1929 and partly in anticipation of increases in customs duties, imports of grains during the first quarter of 1930 were appreciably larger than in the corresponding period of 1929, while exports were smaller; the import balance of grains therefore exceeded that of the first quarter of 1929. The import balance of other agricultural products, on the other hand, was somewhat smaller in the first quarter than a year ago.

The following table shows the average prices of certain important agricultural commodities in Germany during the principal months of the 1929 crop-moving season. In general the prices of

these products during the 1929 season were at the lowest levels since 1925, and some of them were at or below the average prices prevailing in certain pre-war years. The quotations given are for prices in the Berlin market except in the case of barley, where the quotation is that in the Magdeburg market.

Prices of agricultural products (In marks or reichsmarks per ton)	Wheat	Rye	Barley	Oats	Pota- toes ¹
1911-12, Aug.-Jan. average	201	179	209	179	55
1912-13, Aug.-Jan. average	204	171	203	175	36
1913-14, Aug.-Jan. average	188	155	175	153	30
1924-25, Aug.-Jan. average	223	208	275	178	39
1925-26, Aug.-Jan. average	232	157	245	176	35
1926-27, Aug.-Jan. average	268	223	225	184	58
1927-28, Aug.-Jan. average	250	237	255	205	59
1928-29, Aug.-Jan. average	213	210	246	205	52
1929-30, Aug.-Jan. average	237	176	212	163	48
¹ September-November average.					

In 1929 prices of cattle were somewhat higher than a year ago, with a marked increase in the number of animals brought to market. Hog prices in the summer of 1929 reached approximately the highest level since stabilization, but declined somewhat in the second part of the year. During the first four months of 1930 cattle and hog prices showed a declining tendency and prices of dairy products fell sharply. As indicated by the following figures, published by the Institut für Konjunkturforschung, the estimated receipts of hogs at 36 German markets during 1929 were somewhat smaller than the unusually large receipts in the two preceding years, while receipts of cattle and of calves were larger than in any other year since stabilization. Practically all were native stock.

Receipts of livestock at 36 German markets (In thousands)	Hogs	Cattle	Calves
1924	3,740	1,301	1,305
1925	4,309	1,364	1,423
1926	4,401	1,314	1,394
1927	6,013	1,297	1,341
1928	6,601	1,431	1,468
1929 ¹	5,650	1,500	1,500
¹ Partly estimated.			

Since the last Report the Government has adopted a series of additional measures for the relief of agriculture. On July 10, 1929, the so-called intermediate duties on bread cereals and oats were abolished, and the somewhat higher conventional duties provided

for in the existing commercial treaty with Sweden came into force. These duties in turn, as explained in the chapter on foreign trade, have recently been superseded by still higher duties, and duties on other agricultural products have also been raised, in accordance with new customs legislation and treaty arrangements which have come into force since the beginning of 1930. In addition to greatly increased customs protection the Government has also taken action in other directions. In July, 1929, a law went into effect obliging millers to use at least 30 per cent of German-grown wheat during the period between August 1, 1929, and July 31, 1930. This proportion was raised to 50 per cent for the month of December, 1929, and has subsequently been continued at that level. These measures seem latterly to have favored higher prices for wheat; at any rate the recent range of wheat prices in Germany has been between 10 and 25 per cent higher than a year ago, and the spread over foreign wheat outside the customs zone at Hamburg has consistently broadened.

The problem of dealing with the large rye crop has offered greater difficulties. At the beginning of 1930 rye prices at times fell as low as 152 reichsmarks a ton, or somewhat less than the 1913 average, and various measures of relief have been undertaken by the Reichstag in addition to the customs increases already described. With a view to supporting rye prices by controlling the imports of foreign fodder, the law of March 26, 1930, established a Reich monopoly of trade in maize extending from April 1, 1930, to March 31, 1932. All imported or home-grown maize must be offered to the so-called Reichsmaisstelle, which is not obliged to take it, but is, however, obliged to deliver to the German consumers any required amount of maize. The purchase and sale prices are to be fixed by the Government. Furthermore, the supplementary budget adopted March 29, 1930, provides that the Reich shall undertake a guaranty up to 15 million reichsmarks against eventual losses by the Getreidehandelsgesellschaft, the public corporation organized to trade in grain, in purchasing and storing rye during 1929 and 1930.

Numerous other measures for the relief of agriculture are now under consideration, including a special programme for assistance to the eastern districts, but they have not yet taken definitive form. Relief measures of a financial nature, already adopted or in contemplation, have been discussed in connection with the German budget and in the agricultural section of the chapter on credit conditions.

d. Domestic Trade and Consumption.

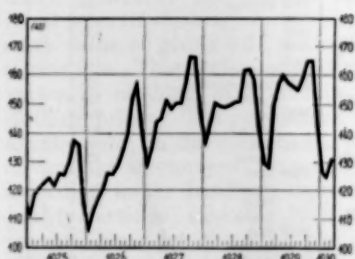
The general volume of trade and consumption appears, according to the available figures, to have maintained itself during 1929 at about the level which was established in 1927 and continued during 1928. But the general tendency toward expansion which was visible in the first of those years and in part carried over into the second largely disappeared, and in individual branches of trade there were even marked declines. Such upward tendencies as showed them-

selves during 1929 were limited for the most part to those trades which furnish articles of subsistence, household articles, and the less expensive articles of enjoyment. Downward tendencies were reported from the luxury and fine-goods trades. These developments reflected on the one side a further widening of the spread between wages and the cost of living, with the corresponding increase in purchasing power among the bulk of the population, and on the other the difficulties in the capital and security markets already discussed in the chapter on credit, which have tended to restrict the purchasing power of other parts of the population. Over the turn of the year 1929-30 most branches of trade reported a smaller turnover than a year before.

The following diagrams and tables illustrate the course of various branches of distribution during the past five years, and for the most part are self-explanatory. It will be observed that the volume of railway traffic as measured by the number of cars placed daily at the disposal of shippers ran during 1929 only slightly higher than in 1927 and 1928. During the first quarter of 1929, it fell well below the level of the preceding year, but this decline was directly attributable to the extreme weather then prevailing. The volume of spring and summer traffic fully compensated for the previous shortage, and during the autumn and early winter it ran at or above the level of a year ago. Total freight traffic during the twelve months of 1929 was about one per cent higher than in 1928. The increase, however, was wholly due to larger shipments of coal, for otherwise freight traffic ran about one per cent below that of the preceding year, due in part to the larger use of motor trucks. Passenger traffic also was affected by automobile and motor-omnibus competition and for this and other reasons was somewhat smaller than in 1928. In the first three months of 1930 there has been a considerable decline in railway freight traffic, largely owing to much reduced shipments of coal, and traffic as a whole has been below the level of any of the previous three years.

Railway traffic

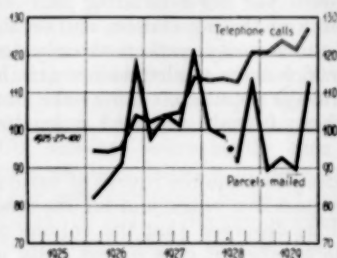
(Freight cars placed at the disposal of shippers, in thousands of cars)



Daily averages	Thousands of cars
1925 average.....	124.1
1926 "	129.9
1927 "	143.3
1928 "	150.2
1929 "	152.2
1929 February	128.0
March	149.3
April	157.2
May	159.8
June	157.4
July	155.2
August	154.9
September	159.2
October	165.0
November	165.3
December	143.0
1930 January	126.2
February	124.5
March	131.3

Postal traffic

(Index numbers, 1925-27 = 100)

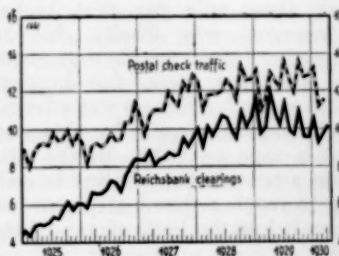


* Beginning with [the] third quarter of 1928, scope of statistics reduced.

Quarterly figures	Parcels mailed	Telephone calls
1925 average.....	99.8	96.8
1926 "	94.3	96.9
1927 "	105.9	106.3
1928 "	100.7	115.1
1929 "	96.1	123.3
1926 third quarter	91.2	95.2
fourth "	117.9	103.7
1927 first "	97.4	102.2
second "	103.9	104.1
third "	101.1	104.9
fourth "	121.0	114.2
1928 first "	100.2	113.3
second "	98.2	113.7
third "	91.5*	112.7
fourth "	113.0	120.8
1929 first "	89.5	120.7
second "	92.6	123.9
third "	89.6	121.6
fourth "	112.7	127.1

Clearings

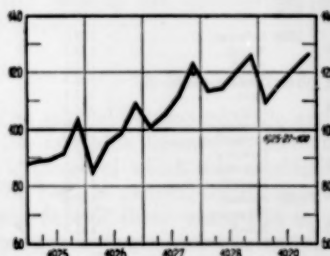
(In thousand millions of reichsmarks)



Monthly totals	Reichsbank clearings	Postal check traffic
1925 average	5.3	9.2
1926 "	7.0	9.6
1927 "	8.7	11.3
1928 "	10.1	12.2
1929 "	10.5	12.6
1929 March	10.1	11.6
April	12.1	13.0
May	10.8	12.5
June	10.1	12.1
July	11.5	13.6
August	9.9	12.7
September	9.7	11.8
October	11.1	13.7
November	9.6	12.7
December	9.6	12.8
1930 January	10.6	13.2
February	9.1	11.0
March	9.8	11.6
April	10.1	—

Value of goods exchanged

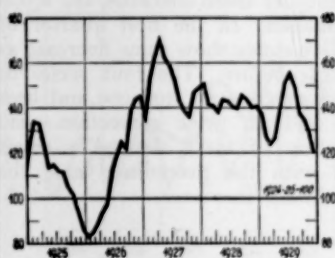
(Index numbers, estimated from turnover tax returns, 1925-27 = 100)



Quarterly figures	Index numbers
1925 average	93.1
1926 "	96.6
1927 "	110.2
1928 "	118.4
1929 "	118.3
1926 third quarter	98.7
fourth "	108.8
1927 first "	100.9
second "	105.2
third "	112.0
fourth "	122.9
1928 first "	113.6
second "	114.3
third "	120.1
fourth "	125.7
1929 first "	109.6
second "	116.0
third "	121.2
fourth "	126.5

Orders received

(Index numbers based on domestic orders reported by five industries, July 1924 to June 1926 = 100)



Monthly figures	Index numbers
1925 average	112.6
1926 "	112.7
1927 "	150.7
1928 "	142.3
1929 "	136.0
1928 November	140.3
December	140.8
1929 January	137.4
February	127.5
March	123.5
April	126.8
May	139.5
June	150.7
July	155.6
August	149.5
September	137.5
October	134.5
November	129.4
December	120.0

The volume of telephone calls continues rapidly to increase, illustrating the growth in the number of telephones connected and at the same time accounting for a decline in the number of telegrams sent. It should be noted that since the middle of 1928 the figures for parcels mailed are not comparable with figures before that date, because of a change in postal regulations. Postal check traffic has been running slightly higher than a year ago notwithstanding a moderate decline in prices in the meantime. Reichsbank clearings, on the other hand, though the total for 1929 was somewhat higher than in 1928, have recently fallen below the level of a year ago.

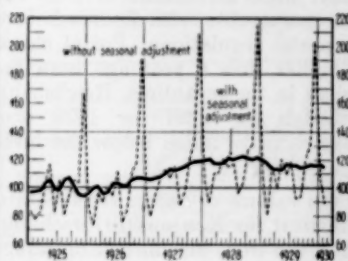
The diagram and table showing the volume of orders received are taken from index numbers of the Institut für Konjunkturforschung, which are based on reports covering the iron, machinery, building, textile and paper industries. The index has moved in a far more erratic fashion than a year ago, both upward and downward, but the monthly average during 1929 was lower than in either 1927 or 1928. It should be noted, however, that this index refers exclusively to domestic orders.

Retail trade appears to have varied considerably from one branch to another and from one sort of goods to another. According to the index figures of the Institut für Konjunkturforschung covering retail sales of clothing, furniture and household articles, the reichsmark value of goods sold during 1929 was 3 per cent smaller than a year ago. This decline was attributable to the smaller reichsmark values of clothing sold, due in part to a decline in textile and clothing prices. The reichsmark values of furniture and household articles sold, on the other hand, were higher than a year ago, when in turn the amount was larger than in 1927. It is noteworthy that, according to the Institut's figures, the values of luxury and high-quality articles sold in 1929 declined as compared with the previous year by about 12 per cent. In the first two months of 1930 retail sales are reported as having been about the same as in the corresponding months of 1929.

The weekly average sales per member at cooperative stores continued to increase during 1929. In part this growth reflects a reported general increase in the volume of foodstuffs sold as compared with previous years, which appears from other available figures to be slightly greater than the year-to-year growth of the population. It also reflects the aggressive sales policy of these concerns, the scope of which has gradually been broadened. In the first quarter of 1930, however, the sales of cooperative stores show some decrease as compared with the level of the year before. The four series of figures showing the consumption of sugar, meat, tobacco and beer are based upon physical volume and no price correction need therefore be made. The consumption of meat showed a small decline during 1929 as compared with the preceding year; the other series showed more or less broad increases.

Retail sales

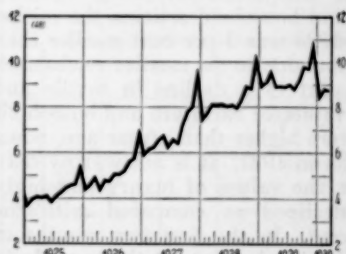
(Index numbers of sales of clothing, furniture, and household articles, 1925 = 100)



Monthly figures	With seasonal adjustment	Without seasonal adjustment
1925 average	100.0	100.0
1926 "	101.2	102.5
1927 "	112.2	113.4
1928 "	120.1	120.2
1929 "	115.9	116.3
1929 January	119.6	108.1
February	118.0	82.9
March	113.6	115.4
April	113.6	99.9
May	113.3	120.7
June	117.7	109.9
July	116.3	118.5
August	116.3	92.7
September	114.2	93.9
October	115.3	119.3
November	116.4	131.3
December	115.9	203.2
1930 January	117.0	105.6
February	114.6	88.9

Sales of cooperative stores

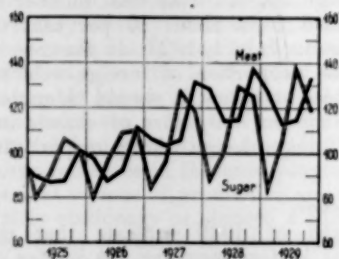
(Weekly sales per member, in reichsmarks)



Monthly averages	Reichsmarks
1925 average	4.26
1926 "	5.11
1927 "	6.94
1928 "	8.31
1929 "	9.30
1929 February	9.11
March	9.58
April	8.90
May	8.92
June	8.89
July	9.00
August	8.78
September	9.18
October	9.79
November	9.69
December	10.90
1930 January	8.36
February	8.80
March	8.76

Sugar and meat consumption

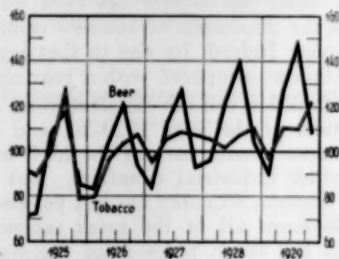
(Index numbers based on volume,
1925-27 = 100)



Quarterly figures	Sugar	Meat
1925 average	94.6	91.3
1926 "	98.7	97.1
1927 "	106.7	111.6
1928 "	110.9	123.5
1929 "	111.8	122.0
1926 third quarter	108.9	92.1
fourth "	110.1	111.4
1927 first "	84.3	106.6
second "	96.5	103.4
third "	127.3	105.6
fourth "	118.5	130.9
1928 first "	87.9	128.0
second "	100.3	114.3
third "	129.6	114.8
fourth "	125.5	137.0
1929 first "	83.3	127.1
second "	106.3	113.0
third "	138.8	114.8
fourth "	118.8	133.1

Tobacco and beer consumption

(Index numbers based on volume,
1925-27 = 100)



Quarterly figures	Tobacco	Beer
1925 average	98.8	95.8
1926 "	97.0	100.3
1927 "	104.2	103.9
1928 "	106.6	115.5
1929 "	110.0	118.3
1926 third quarter	103.9	120.8
fourth "	108.0	93.7
1927 first "	95.4	83.5
second "	105.4	112.2
third "	108.7	127.2
fourth "	107.3	92.7
1928 first "	105.6	96.1
second "	101.5	121.6
third "	107.4	139.8
fourth "	111.7	104.6
1929 first "	96.7	90.4
second "	110.7	126.9
third "	110.1	147.3
fourth "	122.3	108.4

Sales of automobiles, according to the Reich Statistical Office, were small in the early and final months of 1929, but in the intervening period were somewhat larger than the year before. Figures for automobile registrations, which do not go beyond July 1, 1929, indicate that the increase for the twelve months then ended amounted to about 80,000 passenger cars and about 30,000 motor-trucks and motor-omnibuses, in each instance about

Motor vehicles registered in Germany (in thousands)	Motor-cycles	Passenger cars	Trucks, omnibuses, etc.	Total
1925, July 1.....	162	171	93	426
1926, "	263	202	107	572
1927, "	339	261	124	724
1928, "	438	343	152	933
1929, "	608	423	183	1,214

the same increase as during the preceding year. The rise in the number of motor-cycle registrations, however, was about 70 per cent larger than in the year before. Motor-cycles now appear to constitute fully half of the total number of motor vehicles in Germany.

The proportion of cars of foreign origin in the total number of passenger cars registered increased from about 20 per cent on July 1, 1928, to about 23 per cent on July 1, 1929. In the case of motor-cycles, on the contrary, the proportion of foreign vehicles declined. For the purposes of these statistics, it should be understood, cars of foreign origin include not only cars or chassis imported complete, but also cars of foreign design wholly or partially manufactured in Germany.

e. Labor.

Figures for the early months of 1930 indicate that the maximum point of unemployment in Germany for the winter of 1929-30 was substantially the same as the maximum for the preceding year, and was reached at about the same time — in the last week of February. Inasmuch as the winter of 1928-29 was extraordinarily severe, putting a stop to almost every form of outdoor construction and interfering with many other branches of business activity, the seasonal rise of unemployment was then much aggravated. In 1929-30, on the other hand, the winter has been mild and the rise in unemployment to the maximum of 1928-29 cannot be ascribed to seasonal causes alone. Indeed, its rise to that level indicates a worsening in the situation as compared with a year ago.

In some part, at least, this deterioration reflects the slackening of production and trade over the turn of the year 1929-30, and in this respect it represents the German counterpart of the high unemployment now prevailing in other industrial countries. But it also arises from the fact that the German economy has not yet been able to absorb into useful employment all of the great increase in the working population which has taken place since the war. In the affirmative sense, total employment in Germany is undoubtedly higher by three or four millions than in the years before the war, and employment has had to be found not merely for those formerly engaged in the Army and Navy but also for a greatly increased number of women workers and for many not previously engaged in gainful occupations. In addition there has been, ever since the war, a large annual increment in the working population consisting of new workers coming of age, and the net result has been, particularly during the past few years, a considerable residuum of workers for whom it has not been possible to find employment. It is this phase of the unemployment question in Germany which has proved most difficult to solve, and altogether it presents one of the most obstinate problems which the German economy has had to face since stabilization.

The special nature of this problem is to be seen from the figures of lowest rather than of highest unemployment. With the recovery of business after the critical fourteen months centering on the year 1926, when dull business and the radical reorganization of industry resulted in large unemployment, there was a decline to a point

which has not since been approached. In 1927, for example, the number of those receiving the various forms of unemployment relief reached a low point of about 450,000, without counting the so-called emergency workers. In 1928, the corresponding minimum figure was about 650,000, and in 1929, about 850,000. These figures, of course, do not show the absolute number of the unemployed, nor are they strictly comparable from one year to another; but they show sufficiently clearly the rise in basic unemployment, — that is to say, in the level below which unemployment in the most favorable season in each year does not go. In none of the three years did the volume of production and trade as reflected in the official figures undergo so radical a change as to account for such large increases in the unemployment figures. On the contrary, the annual volume of production and trade during these years remained fairly stationary or showed a slight increase. The explanation is to be found partially in some further progress in rationalization of industrial processes but mainly in the year-to-year growth of the German working population. Basic unemployment in Germany appears therefore to be primarily a population problem.

It will be recalled from the Report of December, 1928, that estimates were given for the past and future growth of the working population. Those figures, which were prepared by the Institut für Konjunkturforschung, have since been revised by the Institut with the following results:

Estimate of future working population (In thousands)	Total over 18 years of age	Change during year
1926.....	28,301	+ 503
1927.....	28,804	+ 466
1928.....	29,270	+ 437
1929.....	29,707	+ 360
1930.....	30,067	+ 404
1931.....	30,471	+ 358
1932.....	30,829	+ 406
1933.....	31,235	— 20
1934.....	31,215	— 147
1935.....	31,068	— 200
1936.....	30,868	— 169
1937.....	30,699	+ 73
1938.....	30,772	+ 341
1939.....	31,113	+ 283

This table, it should be noted, relates to persons over 18 years of age, and gives estimates of the position at the beginning of each year. These estimates have an important bearing on the question of basic unemployment not only as regards the past but also as shedding some light on the future. Since 1926 the number of persons eligible for gainful employment in Germany has increased at an average rate of 400,000 or more a year. What proportion of this

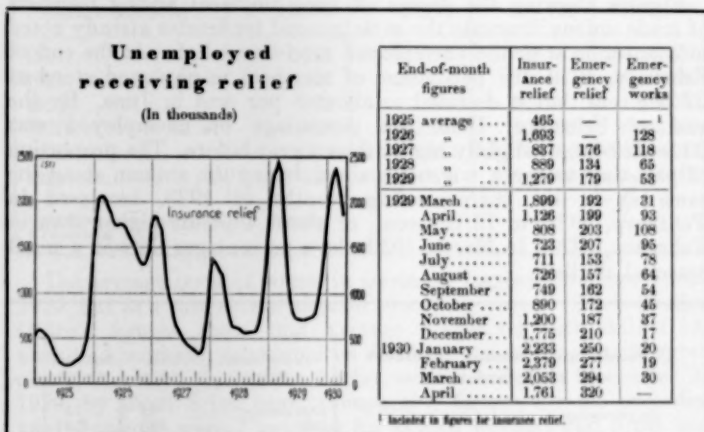
annual increase has come within the field covered by the various measures of unemployment relief is not known, and mathematical comparisons are accordingly impossible. But it is manifest that there has been a direct relation between the increase in the number of eligible workers and the annual increase in basic unemployment. At the same time, it appears that along with the rise in unemployment there has been on the whole a perceptible but moderate rise in the number of persons actually employed, seasonal variations aside, from one year to the next.

The year-to-year increase in the number of persons eligible for gainful employment will continue, according to the estimates, through the year 1932. After that, for four years, the diminished birth rate during the war is expected to result in an actual annual contraction in the number of eligible workers. The natural effect of this change will be to reduce the level of basic unemployment, at least for a period of years, but fundamentally, of course, the problem will still depend on the development of the power of the German economy to employ labor, the course of which cannot be foreseen.

Seasonal variations in unemployment take place independently of the year-to-year rise in basic unemployment. A year ago, by reason of an exceptionally severe winter, which followed immediately upon the lock-out in the Rhenish-Westphalian steel and iron mills, unemployment increased with extraordinary rapidity, and at the end of February, 1929, the number of unemployed receiving relief, both insurance and emergency, reached a total of 2,622,000. Thereafter, with the moderation of the weather and the resumption of seasonal activities, unemployment diminished almost as rapidly as it had risen, and by the end of July the number of unemployed receiving insurance or emergency relief had fallen to 864,000. From June until September the level was between 200,000 and 250,000 higher than in the corresponding months of 1928, reflecting primarily the rise in basic unemployment. In the autumn of 1929, unemployment began to increase a little earlier than in 1928, and in October the margin of one year over the other widened to 300,000. But subsequently, partly because of very mild weather conditions, the seasonal increase in unemployment proved to be smaller than in the preceding winter, and by the end of February, 1930, when the maximum unemployment for the period was reached, the year-to-year spread had narrowed to about 34,000. The total then reported, including those receiving insurance relief and those receiving emergency relief, was 2,656,000. Since this maximum there has been a considerable decline, but at a much slower rate than in 1929. In March and April, 1930, the number of recipients of relief declined by 575,000 as compared with a reduction of about 1,300,000 in the same period last year, and on April 30, 1930, there were still 2,081,000 receiving relief, or 756,000 more than on the same date a year ago.

It is noteworthy that, according to the estimate of the Reich Labor Ministry, some 45 per cent of the maximum unemployment in 1930 was composed of workers from occupations classified as

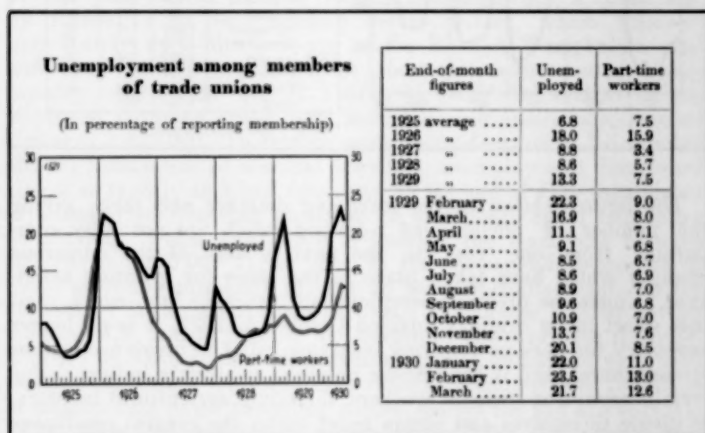
seasonal, whereas a year ago the corresponding figure was 53 per cent. It is manifest from these figures that seasonal unemployment plays an extraordinary part in the German unemployment figures, and that the extension of unemployment insurance to cover seasonal unemployment made a fundamental change in the system of relief. For the current year, however, it appears that the seasonal factor has been somewhat less important than a year ago, and that other factors, including population growth and the slackening of business, have contributed more largely towards the total unemployment.



The figures shown in the foregoing diagram and table, giving the number of unemployed receiving relief, are not fully comparable from one year to the next because of the numerous changes which have taken place in the bases for granting assistance. Under the present unemployment insurance law, which went into effect in its original form on October 1, 1927, it is no longer necessary for persons receiving insurance relief to prove necessitous circumstances, and it has become possible, as already indicated, for certain groups of seasonal workers, including agricultural laborers, to insure themselves and obtain relief under the general conditions of the law. The effect has been to enlarge the unemployment figures, particularly during the winter months. The law and the regulations issued in connection with its administration are singularly complicated and have passed through more or less modification, as, for example, in respect of the length of time a worker must have been employed in order to become eligible upon unemployment to receive insurance relief. In general, it may be said that the changes effective up to November, 1929, were principally in the direction of broadening the scope of the law, but that since then, under the new Reich legislation adopted in October, 1929, there has been some tendency toward the correction of known abuses and the moderate limitation of its field of operation. The law remains exceedingly comprehensive, however, in its provisions for

relief, and the contributions which have to be made to support it put a heavy burden not only on business and industry but on the working part of the population. Moreover, the Treasury of the Reich has been obliged during the past year to make large advances to meet deficiencies in the fund, and the demands have been particularly heavy during the past few months. These disbursements have proved to be one of the most serious drains on the cash resources of the Reich, and the financial effects have already been indicated in the chapter on the budget.

Figures showing the degree of unemployment among members of trade unions illustrate the same general tendencies already noted in connection with the unemployed receiving relief. At the end of February, 1929, the percentage of members unemployed stood at 22 per cent, but it declined to about 8 per cent in June. By the end of February, 1930, the percentage of unemployed was 23.5 per cent, or slightly higher than a year before. The proportion of part-time workers, which remained during the autumn about the same as in the corresponding months of 1928, increased in February, 1930, to 13 per cent, or about 4 points higher than in February, 1929. In March, 1930, these percentages showed a small seasonal decline.



Figures showing the degree of employment among members of several of the individual trades have already been given in the section on the volume of industrial production.

Labor controversies in 1929 were relatively few, and as compared with the serious troubles of 1928 which culminated in the lock-out in the Rhenish-Westphalian steel and iron industry, involved only a limited number of workers. In the Silesian textile industry, where an increase in wages was demanded in connection with renewing wage agreements, about 50,000 operatives were locked out on May 25, 1929. An arbitration award granting an increase in wages was not accepted by the employers and was not declared binding by the Minister of Labor. A second award granting a

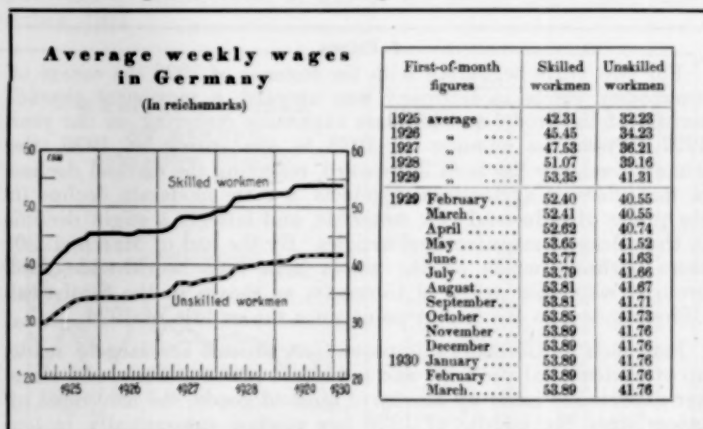
smaller increase in wages was declared binding on July 13, 1929. Other lock-outs in the textile industry took place in Saxony and neighboring districts. Notwithstanding these and other less important controversies, the total number of working days lost by reason of labor troubles did not rise above a relatively moderate level.

Labor controversies	Number	Concerns involved	Employees affected	Working days lost
Average 1909-13 ¹ (former frontiers)...	2,596	12,729	344,790	11,189,585
1924.....	2,012	29,218	1,663,521	36,360,134
1925.....	1,766	25,214	777,897	17,113,886
1926.....	383	2,949	104,711	1,325,309
1927.....	871	10,480	503,217	6,043,698
1928.....	763	8,082	780,396	20,288,211
1929 ²	450	8,600	240,000	4,400,000

¹ Without clerks and agricultural workers.

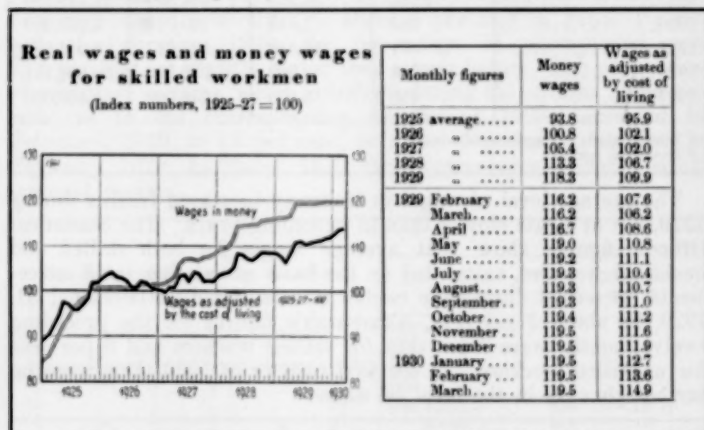
² Provisional figures.

The average level of wages in Germany increased further during 1929, but at a rate slower than in preceding years. The Statistical Office's figures show that average wages for both skilled and unskilled workers, calculated on the basis of existing tariff agreements, increased during the twelve months ended on December 31, 1929, by about 3 per cent. Comparable figures for the preceding twelve months were 7 per cent for skilled workers and 8 per cent for unskilled workers. In the first quarter of 1930 there were no further changes in the level of wages.



The value of increased wages is determined, of course, by the development of the cost of living. During the past year and a half there have been many fluctuations in the cost of living index prepared by the Reich Statistical Office, and for short periods

it reached the highest level since stabilization; but there was a marked decline in the latter part of 1929 and the early months of 1930, and in April, 1930, the index stood at the lowest level since September, 1927. On the assumption that the cost of living index gives a fair indication of the outlays workmen are called upon to make, so-called real wages increased proportionately with money wages during 1929. During the first three months of 1930, when money wages remained unchanged, the decline in the cost of living has resulted in a further increase in real wages, which at the end of March reached by far their highest point since stabilization. Taking the entire period since January 1, 1928, the increase in real wages appears to have amounted to about 11 per cent for skilled and 13 per cent for unskilled workers.

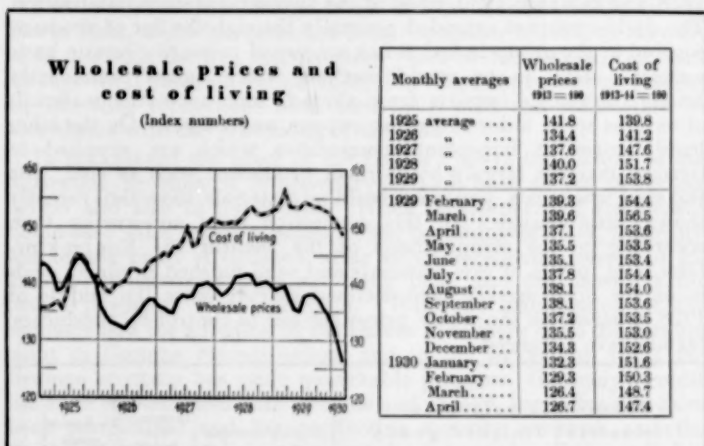


f. Prices.

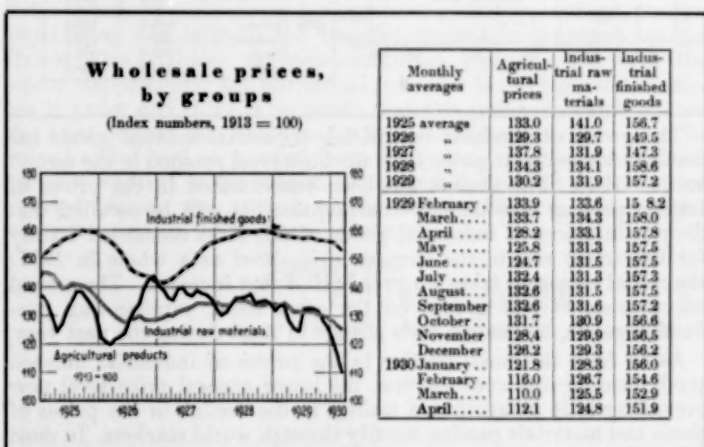
For two years beginning with the summer of 1926 the course of commodity prices in Germany was upward, a movement characteristic of the credit and business expansion centering on the year 1927. From the summer of 1928 to the spring of 1930, the general tendency has been downward, reflecting the marked decline in the prices of agricultural products, a more moderate decline in the prices of industrial raw materials, and latterly a slight decline in the prices of manufactured articles. By the end of March, 1930, these declines, which on the whole have been world-wide, had brought wholesale prices in Germany, as shown in the Statistical Office's index, to the lowest point since the middle of 1924.

Inasmuch as Germany's imports from abroad are largely made up of agricultural products and industrial raw materials, and since her exports are made up mostly of finished goods, the movement of prices since the middle of 1928 has worked substantially in her favor in foreign trade. Internally, though of benefit to the consumer, the decline in the prices of foodstuffs has complicated the already difficult position of agriculture. The German Government has been endeavoring to deal with the situation by various measures of relief, and it is noteworthy that the figures for April, 1930,

show a moderate rise in grain prices in Germany, reflecting mainly the influence of the recently-imposed increases in customs duties, as well as some firmness in grain prices in the world markets.

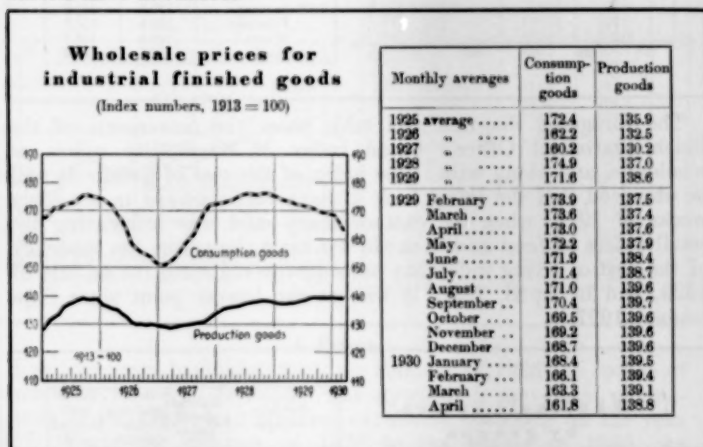


The foregoing diagram and table show the movements of the Reich Statistical Office's broad index of commodity prices at wholesale, and along with it the index of the cost of living. It will be observed that the latter took a sharp turn upward in the early weeks of 1929, when the extraordinary cold was influencing the retail prices of food and fuel. In the main, however, the tendency of the cost of living index has been downward since the middle of 1929, and in April, 1930, it was at the lowest point since September, 1927.



The prices of agricultural products have shown wide fluctuations but with a strong general tendency downward, in harmony with the

decline in world prices. Prices of industrial raw materials and semi-finished products, a group of great importance to German industry, have declined by about 8 per cent since they reached maximum in 1928, and in March, 1930, stood at the lowest point since stabilization. The decline has not extended generally through the list of products covered in the group index; it has concerned primarily certain basic materials dealt in on world markets which figure prominently among Germany's imports from abroad, such as textile materials of various sorts, hides and skins, copper, and rubber. On the other hand, prices of important commodities which are supplied to German markets largely by German producers, such as coal, iron and steel, chemicals, paper and building materials, have until recently shown little change. In this connection it is noteworthy that, according to the computations of the Institut für Konjunkturforschung, prices of raw materials and semi-finished products dealt in on the open market have declined sharply since the middle of 1928, whereas on the whole prices subject to control by producers' cartels have advanced.



The group of products comprising industrial finished goods has declined somewhat in price from the high level reached in the second half of 1928. The decline has been concentrated in the prices of articles passing directly into consumption. It will be recalled that the rise in prices of industrial goods of this class accounted mainly for the active rise in the German price level as a whole in 1927; the recent recession takes up over half of that increase. The second sub-division of this group, on the other hand, representing production goods, has shown little change in level during the past year.

Aside from the small decline in the prices of industrial finished goods passing into consumption, the lower general price level now prevailing is to be attributed mainly to the decline in the prices of goods and materials passing readily through world markets. In most other European countries and in the United States prices have also fallen, and in many of these countries the official wholesale price indexes are now at the lowest levels since the war.

X. Conclusions.

The present Report brings to an end the administration of the Dawes Plan, which has extended from September 1, 1924, to May 17, 1930, through the five full Annuity years of the Dawes Plan and through the Transition Period under The Hague Agreements. During all this time reparations have been fully paid and transferred in accordance with the provisions of the Plan.

To understand the place of the Dawes Plan in the history of the reparation problem, it is necessary to look back to the preceding period and also to the future. When the Experts of the Dawes Committee were called together at the beginning of 1924, Germany was on the point of collapse, after an unprecedented period of inflation. Reparations were not being paid, and the prospects for future payments were uncertain. With the stabilization of the currency and the adoption of the Dawes Plan there came the turning point in German reconstruction, and in the succeeding years the German economy has made remarkable progress. Germany's credit has been reestablished both at home and abroad, her industries have been reorganized and her productive capacity restored, and the general standard of living has greatly improved. This result has been achieved primarily through the industry and energy of the German people, but the people of other countries have also assisted in large measure by making their savings available for the rebuilding of the German economy.

The Dawes Plan, as was its object, also cleared the way for the complete and final settlement of the reparation problem which is embodied in the Young Plan and The Hague Agreements of January 20, 1930. The new Plan is an act of confidence in the good faith and financial integrity of Germany, and Germany now has a definite task to perform on her own responsibility, without foreign supervision and without the transfer protection provided by the Dawes Plan. Under the new conditions Germany has both the whole responsibility and the normal incentive to put her public finances in order and there is no doubt that this problem, which is now the most urgent one confronting the German people, can also be solved and solved on a sound basis if anything like the same efforts are now applied to the reform of the public finances as have been devoted during the period of the Dawes Plan to the general reconstruction of the German economy.

Respectfully,

S. PARKER GILBERT,

Agent General for Reparation Payments.

Exhibit I.

**Composition
of the
German Annuities¹ under the Dawes Plan.
(In millions of gold marks)**

								1928-29 "Standard Year"	
1924-25		1925-26		1926-27		1927-28		1928-29 "Standard Year"	
German External Loan 1924 800		Budget 250		Supplement- ary Budget Contribution 300		Budget 500		Budget 1,250	
Interest on the German Railway Bonds 200		Transport Tax 250		Budget 110		Transport Tax 290		Transport Tax 290	
		Interest on the German Industrial Debentures 125		Transport Tax 290		Interest and Amortisation on the German Industrial Debentures 300		Interest and Amortisation on the German Industrial Debentures 300	
		Interest on the German Railway Bonds 595		Interest on the German Industrial Debentures 250		Interest and Amortisation on the German Railway Bonds 660		Interest and Amortisation on the German Railway Bonds 660	
1,000		1,220		1,500		1,750		2,500 ³	

¹ The Annuity year under the Dawes Plan extended from September 1st to August 31st.

² The Dawes Plan originally fixed the third Annuity at 1,200 million gold marks. It provided, however, for two contingent supplementary contributions, payable from the German budget in the fourth and fifth Annuity years, amounting altogether to 500 million gold marks. By agreement between the Reparation Commission and the German Government, the two contingent supplementary contributions were replaced by a single definite payment of 300 million gold marks, which was made during the third Annuity year.

³ Subject to increase as from 1929-30 onwards, through the application of the index of prosperity, and to increase or decrease, from the year 1928 onwards, in order to take account of changes in the general purchasing power of gold, all as provided in the Plan.

Exhibit II.

Revised Distribution of the Third Annuity (Dawes Plan) — Showing Shares of the Creditor Powers.
(In thousands of gold marks.)

	Army Costs		Belgian War Debt	Restitution	American Mixed Claims	Reparation	Total Share
	Arrears	Current					
1. France	10,687	100,000	27,089	7,241	—	602,758	747,775
2. Great Britain	8,063	24,525	23,262	163	—	253,910	309,923
3. Italy	—	—	—	140	—	97,616 ^b	97,756
4. Belgium	—	15,000	8,678	3,621	—	48,815 ^a	76,114
5. Yugoslavia	—	—	—	116	—	48,804 ^b	48,920
6. United States of America	55,000	—	—	—	24,969	—	79,969
7. Rumania	—	—	—	315	—	11,981	12,296
8. Japan	—	—	—	—	—	8,299	8,299
9. Portugal	—	—	—	—	—	8,250	8,250
10. Greece	—	—	—	—	—	4,344	4,344
11. Poland	—	—	—	210	—	—	210
Totals	73,750	139,525	59,029	11,806	24,969	1,084,777	1,393,856
Interest earned (less loss in exchange) included in the above distribution							2,283
Service of German External Loan							1,391,573
Costs of Inter-Allied Commissions							10,618
Discount on Railway Interest							6,481
Total of Third Annuity							1,500,000

^a In accordance with Articles 6B and C of the Finance Ministers' Agreement of January 14, 1925, the reparation share of Belgium has been reduced by 3.5 per cent and the amount thus released has been allocated to France and Great Britain in the proportion of 52: 22.

^b In accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925, a deduction of 10 per cent has been made from the total shares of Italy and Yugoslavia. The sums thus rendered available have been distributed among the Powers in arrears on the basis of the percentages notified by the Reparation Commission.

Exhibit III.
Revised Distribution of the Fourth Annuity (Dawes Plan)—Showing Shares of the Creditor Powers.
(In thousands of gold marks.)

	Army Costs		Belgian War Debt	Restitution	American Mixed Claims	Reparation	Total Share
	Arrears	Current					
1. France	17,100	97,219	32,892	8,792	—	731,852	887,855
2. Great Britain	12,900	20,016	28,244	198	—	308,292	369,650
3. Italy	—	—	—	170	—	118,549 ^b	118,719
4. Belgium	—	12,619	10,537	4,396	—	59,272 ^a	86,824
5. Yugoslavia	—	—	—	142	—	59,257 ^b	59,399
6. United States of America	55,000	—	—	—	30,318	—	85,318
7. Rumania	—	—	—	382	—	14,548	14,930
8. Japan	—	—	—	—	—	10,076	10,076
9. Portugal	—	—	—	—	—	10,017	10,017
10. Greece	—	—	—	—	—	5,274	5,274
11. Poland	—	—	—	255	—	—	255
Totals	85,000	129,854	71,673	14,335	30,318	1,317,137	1,648,317
Interest earned and gain in exchange included in the above distribution....							5,097
Service of German External Loan							1,643,220
Costs of Inter-Allied Commissions							90,573
Discount on Service of Railway Bonds and Industrial Debentures							9,114
Total of Fourth Annuity							7,093
							1,750,000

^a In accordance with Articles 6 B and C of the Finance Ministers' Agreement of January 14, 1925, the reparation share of Belgium has been reduced by 3.5 per cent and the amount thus released has been allocated to France and Great Britain in the proportion of 52:22.
^b The necessary deductions have been made from the shares of Italy and Yugoslavia in accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925. The same share of interest available has been distributed among the Powers in arrears on the basis of the percentages notified by the Reparation Commission.

Exhibit IV.

Revised Distribution of the Fifth Annuity (Dawes Plan)—Showing Shares of the Creditor Powers.
(In thousands of gold marks.)

	Army Costs		Belgian War Debt	Restitution	American Mixed Claims	Reparation	Total Share
	Arrears	Current					
1. France.....	17,096	95,387	50,315	22,673	—	1,107,717	1,293,188
2. Great Britain.....	12,897	19,541	43,206	511	—	466,962	543,117
3. Italy.....	—	—	—	438	—	185,132 ^b	185,570
4. Belgium.....	—	11,669	16,119	11,337	—	90,014 ^a	129,139
5. Yugoslavia.....	—	—	—	365	—	89,973 ^b	90,338
6. United States of America.....	55,000	—	—	—	45,000	—	100,000
7. Rumania.....	—	—	—	986	—	22,078	23,064
8. Japan.....	—	—	—	—	—	15,252	15,252
9. Portugal.....	—	—	—	—	—	15,177	15,177
10. Greece.....	—	—	—	—	—	8,009	8,009
11. Poland.....	—	—	—	657	—	—	657
Totals.....	84,993	126,597	109,640	36,967	45,000	2,000,314	2,403,511
Interest earned and gain in exchange included in the above distribution							
Service of German External Loan.....							
Costs of Inter-Allied Committee.....							
Costs of Experts' Committee.....							
Discount on Service of German Railway Bonds and Industrial Debentures.....							
Total of Fifth Annuity.....							2,500,000

^a In accordance with Articles 6 B and C of the Finance Ministers' Agreement of January 14, 1925, the reparation share of Belgium has been reduced by 3.5 per cent and the amount thus released has been allocated to France and Great Britain in the proportion of 52:22.

^b In accordance with Article 20 of the Finance Ministers' Agreement of January 14, 1925, a deduction of 10 per cent has been made from the share of Yugoslavia throughout the year; a similar deduction has been made from the share of Italy until June, 1929, when the recoupment of the amount due from Italy was completed, according to the figures notified by the Reparation Commission. The sums thus rendered available have been distributed among the Powers in arrears on the basis of the percentages notified by the Reparation Commission.

Balance Sheet of the Agent General for Reparation

Assets	Gold Marks
I. Bank balances and other funds available upon demand valued at the fine gold rate	237,058,972.58
II. Annuity funds accrued but not due	79,166,666.74
III. Accounts receivable. — Advances to the Trustees of the German External Loan 1924 for the service of the loan in respect of the period after August 31, 1929, to be recovered from the payments to be made by Germany under the Agreement upon the Transition Period (Annex III of The Hague Protocol of August 31, 1929)	5,380,181.12
IV Interest accrued	1,811,950.93
<i>Total....</i>	323,417,771.37

We have audited the above balance sheet and certify that it is in accordance the Agent General for Reparation Payments at August 31, 1929.

Berlin, November 27, 1929.

bit V.

Payments — August 31, 1929 (Dawes Plan).

Liabilities	Gold Marks	Gold Marks
V. Accounts payable:		
(a) Reparation Recovery Acts — including balances owing to German exporters, calculated from certificates of collections given by French and British Governments	3,711,696.13	
(b) Deliveries of coal, coke and lignite (including transport) — based on information furnished by the Reparation Commission Office for Deliveries in Kind or by the National Representatives	8,433,612.08	
(c) Deliveries of chemical fertilisers and nitrogenous products	5,000,301.30	
(d) Deliveries of coal by-products	1,463,602.53	
(e) Deliveries of refractory earths	26,991.79	
(f) Deliveries of agricultural products	40,569.67	
(g) Deliveries of timber	363,350.65	
(h) Deliveries of sugar	976,445.49	
(i) Miscellaneous deliveries	59,101,597.58	
(j) Miscellaneous payments	2,307.40	79,120,474.62
VI. Allied and Associated Powers —funds allocated and uncovered by payments or accounts payable, calculated on the basis of the schedules of distribution of the Annuities as provisionally adopted by the Reparation Commission:		
	Funds committed under approved contracts	Funds uncommitted
(a) France	102,043,797.91	405,035.35
(b) Great Britain	—	18,164,266.45
(c) Italy	3,474,402.60	16,501,733.71
(d) Belgium	5,892,889.09	82,611.51
(e) Yugoslavia	6,206,202.52	832,508.41
(f) United States of America ..	—	2,038.91
(g) Rumania	—	451,591.33
(h) Japan	2,593,543.—	3,268,013.93
(i) Portugal	—	516,093.23
(j) Greece	1,377,153.50	777,162.26
(k) Poland	—	90,809.33
	121,587,988.62	41,091,864.42
VII. Funds unallocated:		162,679,853.04
(a) Annuity funds not available for allocation	79,166,666.72	
(b) Appropriations for Prior Charges not required for that purpose	Dr. 842,566.15	
(c) Interest earned and difference in exchange ..	3,293,343.14	81,617,443.71
<i>Total</i>		323,417,771.37

with the books and in our opinion correctly sets forth the assets and liabilities of

Price, Waterhouse & Co.

Exhi

Statement showing Receipts and Payments of for the Fifth Annuity

(September 1, 1928,

Receipts	Gold Marks
I. In completion of Fourth Annuity:	
(a) <i>Transport Tax</i>	24,174,000.—
(b) <i>Railway Reparation Bonds</i> —Interest and amortisation received from German Railway Company	55,000,000.—
II. On account of Fifth Annuity:	
(a) <i>Budgetary Contribution</i>	1,250,000,000.—
(b) <i>Transport Tax</i>	265,833,333.26
(c) <i>Railway Reparation Bonds</i> —Interest and amortisation received from German Railway Company	605,000,000.—
(d) <i>Industrial Debentures</i> —Interest and amortisation received from Bank for Industrial Debentures	300,000,000.—
III. Interest received	7,759,391.54
IV. Gain in exchange	736,758.96
<i>Total receipts</i>	2,508,503,483.76
V. Bank balances and other funds available upon demand at September 1, 1928	189,488,944.86
<i>Carried forward</i>	2,697,992,428.62

bit VI.

**the Agent General for Reparation Payments
Year (Dawes Plan).**

to August 31, 1929).

Payments	Gold Marks	Gold Marks
VI. Allied and Associated Powers:		
<i>(a) France:</i>		
1. Marks supplied to army of occupation	24,051,474.51	
2. Furnishings to army under Arts. 8—12 of Rhineland Agreement	4,553,264.87	
3. Reparation Recovery Act	67,663,830.32	
4. Deliveries of coal, coke and lignite (includ- ing transport)	207,071,315.80	
5. Deliveries of dyestuffs and pharmaceutical products	12,887,437.47	
6. Deliveries of chemical fertilisers and nitro- genous products	43,943,486.57	
7. Deliveries of coal by-products	10,415,458.67	
8. Deliveries of refractory earths	467,828.66	
9. Deliveries of agricultural products	492,549.19	
10. Deliveries of timber	6,151,476.63	
11. Deliveries of sugar	18,389,070.43	
12. Miscellaneous deliveries	381,790,983.27	
13. Miscellaneous payments	900,000.—	
14. Cash transfers in foreign currencies	491,827,241.98	1,270,605,418.37
<i>(b) Great Britain:</i>		
1. Marks supplied to army of occupation	10,823,696.22	
2. Furnishings to army under Arts. 8—12 of Rhineland Agreement	1,435,383.26	
3. Reparation Recovery Act	334,030,161.44	
4. Cash transfers:		
(i) Settlement of balances owing for deliveries made or services rendered by Germany prior to September 1, 1924	600,072.72	
(ii) In foreign currencies	183,656,975.43	530,546,289.07
<i>(c) Italy:</i>		
1. Deliveries of coal and coke (including trans- port)	102,663,524.63	
2. Deliveries of dyestuffs and pharmaceutical products	1,107,864.38	
3. Deliveries of coal by-products	1,281,539.34	
4. Miscellaneous deliveries	66,755.12	
5. Cash transfers in foreign currencies	70,666,057.53	175,785,741.—
Carried forward		1,976,937,448.44

(Continued).

**the Agent General for Reparation Payments
Year (Dawes Plan).**

to August 31, 1929).

Payments	Gold Marks	Gold Marks
<i>Brought forward....</i>		1,976,937,448.44
(d) <i>Belgium:</i>		
1. Marks supplied to army of occupation....	425,460.40	
2. Furnishings to army under Arts. 8—12 of Rhineland Agreement..	546,781.13	
3. Deliveries of coal and coke (including transport)	6,185,835.05	
4. Deliveries of dyestuffs and pharmaceutical products	8,891,398.53	
5. Deliveries of chemical fertilisers and nitrogenous products.....	10,200,522.86	
6. Deliveries of coal by-products	1,852,786.19	
7. Deliveries of refractory earths	1,203.57	
8. Deliveries of agricultural products	94,781.99	
9. Miscellaneous deliveries	53,113,806.57	
10. Cash transfers in foreign currencies	44,786,478.49	126,099,054.78
(e) <i>Yugoslavia:</i>		
1. Deliveries of pharmaceutical products	204,802.78	
2. Deliveries of chemical fertilisers and nitrogenous products	201,216.75	
3. Miscellaneous deliveries	70,903,171.31	
4. Miscellaneous payments	387,820.38	
5. Cash transfers in foreign currencies	18,640,515.84	90,337,527.06
(f) <i>United States of America:</i>		
1. Deliveries under agreement.....	45,150,573.84	
2. Cash transfers in foreign currencies, on account of priority for army costs in arrears.....	55,000,000.—	100,150,573.84
(g) <i>Rumania:</i>		
1. Miscellaneous deliveries		23,832,951.73
(h) <i>Japan:</i>		
1. Deliveries of chemical fertilisers and nitrogenous products.....	3,601,156.88	
2. Deliveries of agricultural products.....	281,904.56	
3. Miscellaneous deliveries	3,140,321.17	
4. Cash transfers in foreign currencies	5,788,657.57	12,812,040.18
(i) <i>Portugal:</i>		
1. Miscellaneous deliveries.....	10,846,807.67	
2. Cash transfers in foreign currencies	3,538,365.44	14,385,173.11
(j) <i>Greece:</i>		
1. Miscellaneous deliveries	4,499,026.04	
2. Cash transfers in foreign currencies	2,394,417.18	6,893,443.22
<i>Carried forward....</i>		2,351,448,212.36

Exhibit VI

**Statement showing Receipts and Payments of
for the Fifth Annuity
(September 1, 1928,**

Receipts	Gold Marks
<i>Brought forward</i>	2,697,992,428.62
<i>Total</i>	2,697,992,428.62

**We have audited the books and accounts of the Agent General for Reparation
statement is correctly prepared therefrom and in our opinion properly sets forth
Berlin, November 27, 1929.**

(Continued).

**the Agent General for Reparation Payments
Year (Dawes Plan).**

to August 31, 1929).

Payments	Gold Marks	Gold Marks
<i>Brought forward....</i>		2,351,448,212.36
<i>(k) Poland:</i>		
1. Deliveries of agricultural products.....	535,332.73	
2. Miscellaneous payments.....	12,221.13	
3. Cash transfers in foreign currencies.....	12,499.69	560,053.55
<i>Total in respect of Powers....</i>		2,352,008,265.91
VII. Service of German External Loan 1924..		89,315,388.27
VIII. Inter-Allied Commissions:		
1. Reparation Commission.....	3,639,799.72	
2. Office for Reparation Payments... ..	3,700,000.—	
3. Inter-Allied Rhineland High Commission ..	3,267,181.34	
4. Military Inter-Allied Commission of Control	5,137.76	10,612,118.82
IX. Costs of Experts' Committee		906,440.37
X. Discount on amounts received in advance of due date:		
1. From German Railway Company.....	8,070,711.60	
2. From Bank for Industrial Debentures.....	20,531.07	8,091,242.67
<i>Total payments....</i>		2,460,933,456.04
XI. Bank balances and other funds available upon demand at August 31, 1929.....		237,058,972.58
<i>Total</i>		2,697,992,428.62

Payments from September 1, 1928, to August 31, 1929, and certify that the above the receipts and payments during the Fifth Annuity Year.

Price, Waterhouse & Co.

Exhi

Distribution among the Powers of Amounts Available for (September 1, 1928,

	Amounts available September 1, 1928, to August 31, 1929	Total payments September 1, 1928, to August 31, 1929
	Gold Marks	Gold Marks
1. France	1,444,569,111.73	1,270,605,418.37
2. Great Britain	548,802,135.24	530,546,289.07
3. Italy	197,930,505.04	175,785,741.—
4. Belgium	135,762,731.75	126,099,054.78
5. Yugoslavia	98,759,864.97	90,337,527.06
6. United States of America	100,152,612.75	100,150,573.84
7. Rumania.....	24,284,543.06	23,832,951.73
8. Japan.....	18,673,597.11	12,812,040.18
9. Portugal.....	15,172,562.66	14,385,173.11
10. Greece	9,047,758.98	6,893,443.22
11. Poland	653,170.28	560,053.55
<i>Totals in respect of Powers</i>	2,593,808,593.57	2,352,008,265.91
12. Service of German External Loan 1924	83,974,235.78	89,315,388.27
13. Inter-Allied Commissions:		
(a) Reparation Commission	3,639,799.72	3,639,799.72
(b) Office for Reparation Payments....	3,700,000.—	3,700,000.—
(c) Inter-Allied Rhineland High Com- mission	3,292,161.47	3,267,181.34
(d) Military Inter-Allied Commission of Control	5,137.76	5,137.76
14. Costs of Experts' Committee	—	906,440.37
15. Discount on amounts received in advance of due date:		
(a) From German Railway Company....	8,070,577.06	8,070,711.60
(b) From Bank for Industrial Debentures	20,531.07	20,531.07
	2,696,511,036.43	2,460,933,456.04
Funds unallocated:		
(a) Annuity funds not available for allocation	79,166,666.72	—
(b) Incidental items:		
1. Interest received	1,571,538.57	—
2. Interest accrued	1,811,950.93	—
3. Loss in exchange	Dr. 90,146.36	—
<i>Totals....</i>	2,778,971,046.29	2,460,933,456.04
The foregoing total is made up as follows:		
(a) Fourth Annuity — balance unexpended at September 1, 1928:		
1. Bank balances and other funds available upon demand.....	189,488,944.86	
2. Annuity funds accrued but not due	79,174,000.—	
3. Interest accrued	640,779.09	
(b) Fifth Annuity:		
1. Total Annuity	2,500,000,000.—	
2. Interest earned	8,930,563.38	
3. Gain in exchange	736,758.96	
<i>Total as above</i>	2,778,971,046.29	

bit VII.

**Expenditure during the Fifth Annuity Year (Dawes Plan).
to August 31, 1929).**

Accounts payable at August 31, 1929	Total payments and accounts payable at August 31, 1929	Powers' Balances at August 31, 1929 (per Balance Sheet)		
		Funds allocated and uncovered by payments or accounts payable		Funds unallocated
		Funds committed under approved contracts	Funds uncommitted	
Gold Marks	Gold Marks	Gold Marks	Gold Marks	Gold Marks
71,514,860.10	1,342,120,278.47	102,043,797.91	405,035.35	—
91,579.72	530,637,868.79	—	18,164,266.45	—
2,168,627.73	177,954,368.73	3,474,402.60	16,501,733.71	—
3,688,176.37	129,787,231.15	5,892,889.09	82,611.51	—
1,383,626.98	91,721,154.04	6,206,202.52	832,508.41	—
—	100,150,573.84	—	2,038.91	—
—	23,832,951.73	—	451,591.33	—
—	12,812,040.18	2,593,543.—	3,268,013.93	—
271,296.32	14,656,469.43	—	516,093.23	—
—	6,893,443.22	1,377,153.50	777,162.26	—
2,307.40	562,360.95	—	90,809.33	—
79,120,474.62	2,431,128,740.53	121,587,988.62	41,091,864.42	—
Cr. 5,380,181.12	83,935,207.15	—	—	39,028.63
—	3,639,799.72	—	—	—
—	3,700,000.—	—	—	—
—	3,267,181.34	—	—	24,980.13
—	5,137.76	—	—	—
—	906,440.37	—	—	Dr. 906,440.37
—	8,070,711.60	—	—	Dr. 134.54
—	20,531.07	—	—	—
Dr. 79,120,474.62	2,534,673,749.54	121,587,988.62	41,091,864.42	Dr. 842,566.15
Cr. 5,380,181.12	—	—	—	79,166,666.72
—	—	—	—	3,383,489.50
—	—	—	—	Dr. 90,146.36
Dr. 79,120,474.62	2,534,673,749.54	121,587,988.62	41,091,864.42	81,617,443.71
Cr. 5,380,181.12	—	—	—	—

Exhibit VIII.

**Analysis of Payments and Accounts Payable for the
Fifth Annuity Year (Dawes Plan)
according to Category of Expenditure.**

(September 1, 1928, to August 31, 1929).

	Total payments Sept. 1, 1928, to August 31, 1929	Accounts payable at August 31, 1929	Total payments and accounts payable at August 31, 1929
	Gold Marks	Gold Marks	Gold Marks
1. Marks supplied to armies of occupation:			
France	24,051,474.51	—	24,051,474.51
Great Britain	10,823,696.22	—	10,823,696.22
Belgium	425,460.40	—	425,460.40
	35,300,631.13	—	35,300,631.13
2. Furnishings to armies under Arts. 8—12 of Rhineland Agreement:			
France	4,553,264.87	—	4,553,264.87
Great Britain	1,435,383.26	—	1,435,383.26
Belgium	546,781.13	—	546,781.13
	6,535,429.26	—	6,535,429.26
3. Reparation Recovery Acts:			
France	67,663,830.32	3,620,116.41	71,283,946.73
Great Britain	334,030,161.44	91,579.72	334,121,741.16
	401,693,991.76	3,711,696.13	405,405,687.89
4. Deliveries of coal, coke and lignite (including transport):			
France	207,071,315.80	6,264,984.35	213,336,300.15
Italy	102,663,524.63	2,168,627.73	104,832,152.36
Belgium	6,185,835.05	—	6,185,835.05
	315,920,675.48	8,433,612.08	324,354,287.56
<i>Totals carried forward ...</i>	759,450,727.63	12,145,308.21	771,596,035.84

	Total payments Sept. 1, 1928, to August 31, 1929	Accounts payable at August 31, 1929	Total payments and accounts payable at August 31, 1929
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward ...</i>	759,450,727.63	12,145,308.21	771,596,035.84
5. Deliveries of dyestuffs and pharmaceutical pro- ducts:			
France	12,887,437.47	—	12,887,437.47
Italy	1,107,864.38	—	1,107,864.38
Belgium	8,891,398.53	—	8,891,398.53
Yugoslavia.....	204,802.78	—	204,802.78
	23,091,503.16	—	23,091,503.16
6. Deliveries of chemical fertilisers and nitrogen- ous products:			
France	43,943,486.57	4,255,714.92	48,199,201.49
Belgium	10,200,522.86	744,586.38	10,945,109.24
Yugoslavia.....	201,216.75	—	201,216.75
Japan	3,601,156.88	—	3,601,156.88
	57,946,383.06	5,000,301.30	62,946,684.36
7. Deliveries of coal by- products:			
France	10,415,458.67	1,420,016.70	11,835,475.37
Italy	1,281,539.34	—	1,281,539.34
Belgium	1,852,786.19	43,585.83	1,896,372.02
	13,549,784.20	1,463,602.53	15,013,386.73
8. Deliveries of refractory earths:			
France	467,828.66	26,991.79	494,820.45
Belgium	1,203.57	—	1,203.57
	469,032.23	26,991.79	496,024.02
9. Deliveries of agricul- tural products:			
France	492,549.19	40,569.67	533,118.86
Belgium	94,781.99	—	94,781.99
Japan	281,904.56	—	281,904.56
Poland	535,332.73	—	535,332.73
	1,404,568.47	40,569.67	1,445,138.14
<i>Totals carried forward ...</i>	855,911,998.75	18,676,773.50	874,588,772.25

	Total payments Sept. 1, 1928, to August 31, 1929	Accounts payable at August 31, 1929	Total payments and accounts payable at August 31, 1929
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward ...</i>	855,911,998.75	18,676,773.50	874,588,772.25
10. Deliveries of timber:			
France	6,151,476.63	363,350.65	6,514,827.28
11. Deliveries of sugar:			
France	18,389,070.43	976,445.49	19,365,515.92
12. Miscellaneous deliveries:			
France	381,790,983.27	54,546,670.12	436,337,653.39
Italy	66,755.12	—	66,755.12
Belgium	53,113,806.57	2,900,004.16	56,013,810.73
Yugoslavia.....	70,903,171.31	1,383,626.98	72,286,798.29
Rumania	23,832,951.73	—	23,832,951.73
Japan	3,140,321.17	—	3,140,321.17
Portugal	10,846,807.67	271,296.32	11,118,103.99
Greece	4,499,026.04	—	4,499,026.04
	548,193,822.88	59,101,597.58	607,295,420.46
13. Deliveries under agree- ment:			
United States of America	45,150,573.84	—	45,150,573.84
14. Miscellaneous payments:			
France	900,000.—	—	900,000.—
Yugoslavia	387,820.38	—	387,820.38
Poland	12,221.13	2,307.40	14,528.53
	1,300,041.51	2,307.40	1,302,348.91
<i>Totals carried forward</i>	1,475,096,984.04	79,120,474.62	1,554,217,458.66

	Total payments Sept. 1, 1928, to August 31, 1929	Accounts payable at August 31, 1929	Total payments and accounts payable at August 31, 1929
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward . . .</i>	1,475,096,984.04	79,120,474.62	1,554,217,458.66
15. Cash transfers:			
(a) Settlement of balances owing for deliveries made or services ren- dered by Germany prior to September 1, 1924:			
Great Britain	600,072.72	—	600,072.72
(b) In foreign currencies:			
France	491,827,241.98	—	491,827,241.98
Great Britain	183,656,975.43	—	183,656,975.43
Italy	70,666,057.53	—	70,666,057.53
Belgium	44,786,478.49	—	44,786,478.49
Yugoslavia	18,640,515.84	—	18,640,515.84
United States of America	55,000,000.—	—	55,000,000.—
Japan	5,788,657.57	—	5,788,657.57
Portugal	3,538,365.44	—	3,538,365.44
Greece	2,394,417.18	—	2,394,417.18
Poland	12,499.69	—	12,499.69
	876,911,281.87	—	876,911,281.87
<i>Totals in respect of Powers . .</i>	2,352,008,265.91	79,120,474.62	2,431,128,740.53

bit IX.

Payments—May 17, 1930 (Dawes Plan).
under the Dawes Plan).

Liabilities	Gold Marks	Gold Marks
II. Accounts payable:		
(a) Deliveries of coal, coke and lignite (including transport)	571.64	
(b) Deliveries of agricultural products	31,471.16	
(c) Miscellaneous deliveries	4,912,203.84	4,944,246.64
III. Allied and Associated Powers — funds allocated and uncovered by payments or accounts payable, calculated on the basis of the distribution of the Annuities as adopted in The Hague Agreement of January 20, 1930:		
	Funds committed under approved contracts	Funds uncommitted
(a) France	9,372,729.72	328,081.84
(b) Great Britain	—	3,450.25
(c) Italy	—	1,128.13
(d) Belgium	—	785.07
(e) Yugoslavia	—	549.19
(f) Rumania	—	76,460.21
(g) Japan	—	92.72
(h) Portugal	—	92.26
(i) Greece	—	48.69
(j) Poland	—	4.—
	9,372,729.72	410,692.36
		9,783,422.08
		14,727,668.72

ance with the books and in our opinion correctly sets forth the assets and liabilities derived from Annuities under the Dawes Plan.

Price, Waterhouse & Co.

Exhi

**Statement showing Receipts and Payments
during the Period September 1, 1929,
(Funds derived from Annuities**

Receipts	Gold Marks
I. In completion of Fifth Annuity:	
(a) <i>Transport Tax</i>	24,166,666.74
(b) <i>Railway Reparation Bonds</i> —Interest and amortisation received from German Railway Company	55,000,000.—
II. Service of German External Loan 1924:	
(a) Reimbursement from funds received from Ger- many under the Agreement upon the Transition Period of advances made before August 31, 1929, for service of the loan in respect of the period after that date	5,371,219.46
(b) Amounts applicable in reduction of the cost of service of the loan for the fifth Annuity year, principally interest earned on funds in the hands of the Trustees	681,548.91
	<u>6,052,768.37</u>
<i>Less</i>	
(c) Amounts paid after August 31, 1929, but applicable to service of the loan in respect of the period prior to that date	16,219.58
	6,036,548.79
III. Inter-Allied Rhineland High Commission —Amounts refunded in adjustment of expenses for the fifth Annuity year	31,987.12
IV. Experts' Committee —Miscellaneous refunds	17,831.51
V. Interest received and difference in exchange	4,144,523.88
<i>Total receipts</i>	<u>89,397,558.04</u>
VI. Bank balances and other funds available upon demand at Sep- tember 1, 1929	237,058,972.58
<i>Carried forward</i>	326,456,530.62

bit X.

**of the Agent General for Reparation Payments
to May 17, 1930 (Dawes Plan).
under the Dawes Plan).**

Payments	Gold Marks	Gold Marks
VII. Allied and Associated Powers:		
<i>(a) France:</i>		
1. Marks supplied to army of occupation	Dr. 2,508,909.14	
2. Expenses of Local Assessment Commissions (Furnishings to army under Arts. 8-12 of Rhineland Agreement)	Dr. 8,559.58	
3. Reparation Recovery Act.	11,997,249.46	
4. Deliveries of coal, coke and lignite (including transport)	10,427,874.35	
5. Deliveries of dyestuffs and pharmaceutical products	233,074.38	
6. Deliveries of chemical fertilisers and nitro- genous products	7,007,784.75	
7. Deliveries of coal by-products	3,458,363.73	
8. Deliveries of refractory earths	123,249.22	
9. Deliveries of agricultural products	121,538.27	
10. Deliveries of timber	816,684.61	
11. Deliveries of sugar	3,757,501.94	
12. Miscellaneous deliveries	130,440,516.10	
13. Cash transfers in foreign currencies	39,665,863.67	205,532,231.76
<i>(b) Great Britain:</i>		
1. Expenses of Local Assessment Commissions (Furnishings to army under Arts. 8-12 of Rhineland Agreement)	Dr. 43,876.12	
2. Reparation Recovery Act.	31,956,481.02	
3. Cash transfers in foreign currencies	5,833,764.68	37,746,369.58
<i>(c) Italy:</i>		
1. Deliveries of coal and coke (including trans- port)	26,474,152.56	
2. Deliveries of coal by-products	45,503.31	
3. Cash transfers in foreign currencies	3,112,986.22	29,632,642.09
<i>(d) Belgium:</i>		
1. Expenses of Local Assessment Commissions (Furnishings to army under Arts. 8-12 of Rhineland Agreement)	Dr. 4,799.12	
2. Deliveries of dyestuffs and pharmaceutical products	97,668.78	
3. Deliveries of chemical fertilisers and nitro- genous products	1,260,823.35	
4. Deliveries of coal by-products	70,920.65	
5. Deliveries of agricultural products	70,124.22	
6. Miscellaneous deliveries	6,970,320.74	
7. Cash transfers in foreign currencies	5,862,829.34	14,327,887.96
<i>Carried forward.....</i>		287,239,131.39

(Continued).

**of the Agent General for Reparation Payments
to May 17, 1930 (Dawes Plan).
under the Dawes Plan).**

Payments	Gold Marks	Gold Marks
<i>Brought forward....</i>		287,239,131.39
(e) <i>Yugoslavia:</i>		
1. Miscellaneous deliveries	7,626,463.64	
2. Cash transfers in foreign currencies	4,072,089.—	11,698,552.64
(f) <i>United States of America:</i>		
1. Deliveries under agreement		1,480,378.31
(g) <i>Rumania:</i>		
1. Miscellaneous deliveries		1,003,612.—
(h) <i>Japan:</i>		
1. Deliveries of chemical fertilisers and nitro- genous products	3,101,714.85	
2. Miscellaneous deliveries	1,299,323.39	
3. Cash transfers in foreign currencies	2,008,940.26	6,409,978.50
(i) <i>Portugal:</i>		
1. Miscellaneous deliveries	917,607.50	
2. Cash transfers in foreign currencies	417,101.01	1,334,708.51
(j) <i>Greece:</i>		
1. Miscellaneous deliveries	1,389,273.99	
2. Cash transfers in foreign currencies	1,055,672.69	2,444,946.68
(k) <i>Poland:</i>		
1. Deliveries of agricultural products	114,247.77	
2. Miscellaneous payments	2,296.41	
3. Cash transfers in foreign currencies	1,009.69	117,553.87
<i>Total in respect of Powers....</i>		311,728,861.90
VIII. Bank balances and other funds available upon demand at May 17, 1930		14,727,668.72
<i>Total....</i>		326,456,530.62

Payments for the period from September 1, 1929, to May 17, 1930, and certify that
sets forth the receipts and payments during this period in respect of funds derived

Price, Waterhouse & Co.

Exhi

**Distribution among the Powers of Amounts
September 1, 1929, to May
(Funds derived from Annuities**

	Amounts available September 1, 1929, to May 17, 1930	Total payments September 1, 1929, to May 17, 1930
	Gold Marks	Gold Marks
1. France	220,177,289.96	205,532,231.76
2. Great Britain	37,749,819.83	37,746,369.58
3. Italy	29,633,770.22	29,632,642.09
4. Belgium	14,328,673.03	14,327,887.96
5. Yugoslavia.....	11,699,101.83	11,698,552.64
6. United States of America.....	1,480,378.31	1,480,378.31
7. Rumania.....	1,080,072.21	1,003,612.—
8. Japan	6,410,071.22	6,409,978.50
9. Portugal.....	1,334,800.77	1,334,708.51
10. Greece	2,444,995.37	2,444,946.68
11. Poland	117,557.87	117,553.87
<i>Totals in respect of Powers....</i>	326,456,530.62	311,728,861.90
12. Service of German External Loan 1924	Dr. 6,036,548.79	Cr. 6,036,548.79
13. Inter-Allied Rhineland High Commission	Dr. 31,987.12	Cr. 31,987.12
14. Costs of Experts' Committee.....	Dr. 17,831.51	Cr. 17,831.51
<i>Totals....</i>	320,370,163.20	305,642,494.48
The foregoing total is made up as follows:		
Fifth Annuity:		
(a) Bank balances and other funds available upon demand at September 1, 1929 ...	237,058,972.58	
(b) Receipts in the period September 1, 1929, to May 17, 1930:		
1. In completion of the Annuity..	79,166,666.74	
2. Interest	4,636,260.31	
3. Loss in exchange	Dr. 491,736.43	
<i>Total as above....</i>	320,370,163.20	

bit XI.

**Available for Expenditure during the Period
17, 1930 (Dawes Plan).
under the Dawes Plan).**

Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930	Powers' Balances at May 17, 1930 (per Balance Sheet)	
		Funds allocated and uncovered by payments or accounts payable	
		Funds committed under approved contracts	Funds uncommitted
Gold Marks	Gold Marks	Gold Marks	Gold Marks
4,944,246.64	210,476,478.40	9,372,729.72	328,081.84
—	37,746,369.58	—	3,450.25
—	29,632,642.09	—	1,128.13
—	14,327,887.96	—	785.07
—	11,698,552.64	—	549.19
—	1,480,378.31	—	—
—	1,003,612.—	—	76,460.21
—	6,409,978.50	—	92.72
—	1,334,708.51	—	92.26
—	2,444,946.68	—	48.69
—	117,553.87	—	4.—
4,944,246.64	316,673,108.54	9,372,729.72	410,692.36
—	Cr. 6,036,548.79	—	—
—	Cr. 31,987.12	—	—
—	Cr. 17,831.51	—	—
4,944,246.64	310,586,741.12	9,372,729.72	410,692.36

Exhibit XII.

**Analysis of Payments and Accounts Payable for the
Period September 1, 1929, to May 17, 1930 (Dawes Plan),
according to Category of Expenditure.**

(Funds derived from Annuities under the Dawes Plan).

	Total payments Sept. 1, 1929, to May 17, 1930	Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930
	Gold Marks	Gold Marks	Gold Marks
1. Marks supplied to army of occupation:			
France	Cr. 2,508,909.14	—	Cr. 2,508,909.14
2. Expenses of Local As- sessment Commissions (Furnishings to armies under Arts. 8—12 of Rhineland Agreement):			
France	Cr. 8,559.58	—	Cr. 8,559.58
Great Britain	Cr. 43,876.12	—	Cr. 43,876.12
Belgium	Cr. 4,799.12	—	Cr. 4,799.12
	Cr. 57,234.82	—	Cr. 57,234.82
3. Reparation Recovery Acts:			
France	11,997,249.46	—	11,997,249.46
Great Britain	31,956,481.02	—	31,956,481.02
	43,953,730.48	—	43,953,730.48
4. Deliveries of coal, coke and lignite (including transport):			
France	10,427,874.35	571.64	10,428,445.99
Italy	26,474,152.56	—	26,474,152.56
	36,902,026.91	571.64	36,902,598.55
5. Deliveries of dyestuffs and pharmaceutical products:			
France	233,074.38	—	233,074.38
Belgium	97,668.78	—	97,668.78
	330,743.16	—	330,743.16
6. Deliveries of chemical fertilisers and nitrogen- ous products:			
France	7,007,784.75	—	7,007,784.75
Belgium	1,260,823.35	—	1,260,823.35
Japan	3,101,714.85	—	3,101,714.85
	11,370,322.95	—	11,370,322.95
<i>Totals carried forward</i>	89,990,679.54	571.64	89,991,251.18

	Total payments Sept. 1, 1929, to May 17, 1930	Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward</i>	89,990,679.54	571.64	89,991,251.18
7. Deliveries of coal by-products:			
France	3,458,363.73	—	3,458,363.73
Italy	45,503.31	—	45,503.31
Belgium	70,920.65	—	70,920.65
	3,574,787.69	—	3,574,787.69
8. Deliveries of refractory earthenware:			
France	123,249.22	—	123,249.22
9. Deliveries of agricultural products:			
France	121,538.27	31,471.16	153,009.43
Belgium	70,124.22	—	70,124.22
Poland	114,247.77	—	114,247.77
	305,910.26	31,471.16	337,381.42
10. Deliveries of timber:			
France	816,684.61	—	816,684.61
11. Deliveries of sugar:			
France	3,757,501.94	—	3,757,501.94
12. Miscellaneous deliveries:			
France	130,440,516.10	4,912,203.84	135,352,719.94
Belgium	6,970,320.74	—	6,970,320.74
Yugoslavia	7,626,463.64	—	7,626,463.64
Rumania	1,003,612.—	—	1,003,612.—
Japan	1,299,323.39	—	1,299,323.39
Portugal	917,607.50	—	917,607.50
Greece	1,389,273.99	—	1,389,273.99
	149,647,117.36	4,912,203.84	154,559,321.20
13. Deliveries under agreement:			
United States of America	1,480,378.31	—	1,480,378.31
14. Miscellaneous payments:			
Poland	2,296.41	—	2,296.41
<i>Totals carried forward</i>	249,698,605.34	4,944,246.64	254,642,851.98

	Total payments Sept. 1, 1929, to May 17, 1930	Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930
	Gold Marks	Gold Marks	Gold Marks
<i>Totals brought forward....</i>	249,698,605.34	4,944,246.64	254,642,851.98
15. Cash transfers in foreign currencies:			
France	39,665,863.67	—	39,665,863.67
Great Britain	5,833,764.68	—	5,833,764.68
Italy	3,112,986.22	—	3,112,986.22
Belgium	5,862,829.34	—	5,862,829.34
Yugoslavia	4,072,089.—	—	4,072,089.—
Japan	2,008,940.26	—	2,008,940.26
Portugal	417,101.01	—	417,101.01
Greece	1,055,672.69	—	1,055,672.69
Poland	1,009.69	—	1,009.69
	62,030,256.56	—	62,030,256.56
<i>Totals in respect of Powers .</i>	311,728,861.90	4,944,246.64	316,673,108.54

Exhibit XIII.

Summary of the Annuities Received and Transfers Made under the Dawes Plan from September 1, 1924, to May 17, 1930.

(Expressed in gold marks).

Period Covered (Annuity years running from Sep- tember 1st to August 31st)	Annuities Received	Transfers Made			
		In foreign currencies		By reichsmark payments	Total transfers
		%		%	
First Annuity year (1924-25)...	1,000,000,000.—	271,270,846.65	30.37	621,970,652.75	893,241,499.40
Second Annuity year (1925-26)...	1,220,000,000.—	415,677,331.63	35.35	760,199,635.09	1,175,876,966.72
Third Annuity year (1926-27) ..	1,500,000,000.—	683,464,535.82	49.45	698,623,843.53	1,382,088,379.35
Fourth Annuity year (1927-28) ..	1,750,000,000.—	943,236,140.54	54.23	796,061,054.87	1,739,297,195.41
Fifth Annuity year (1928-29)...	2,500,000,000.—	1,418,518,002.23	57.83	1,034,324,211.14	2,452,842,213.37
Period September 1, 1929, to May 17, 1930	—	101,410,305.54	33.18	204,232,188.94	305,642,494.48
Total Annuities	7,970,000,000.—				
Total interest received and net gains in exchange (period September 1, 1924, to May 17, 1930)	22,994,448.93				
Totals	7,992,994,448.93	3,833,577,162.41	48.23	4,115,411,586.32	7,948,988,748.73
Bank balances and other funds available upon demand as at May 17, 1930					
Total discount on advance payments of service of Railway bonds and industrial debentures (five years)					
					14,727,668.72
					29,278,031.48
					7,992,994,448.93

Exhibit XIV.
Summary of Transfers Made under the Dawes Plan from September 1, 1924, to May 17, 1930,
showing Distribution among the Creditor Powers.
(Expressed in gold marks).

Annuity Years, beginning September 1st and ending August 31st	First Annuity Year	Second Annuity Year	Third Annuity Year	Fourth Annuity Year	Fifth Annuity Year	Period Septem- ber 1, 1929, to May 17, 1930	Totals
Transfers to Creditor Powers¹							
France.....	396,579,043.33	565,664,058.32	638,304,121.66	862,497,715.66	1,270,605,418.37	205,532,231.76	3,939,182,589.10
Great Britain.....	180,863,496.74	226,691,944.70	302,512,709.72	367,049,483.27	530,546,289.07	37,746,369.58	1,654,410,293.08
Italy.....	60,374,403.89	77,059,709.41	92,774,606.12	119,502,918.85	175,785,741.—	29,632,642.09	555,130,021.36
Belgium.....	93,487,000.07	116,380,584.18	68,644,412.45	108,560,329.97	126,099,054.78	14,327,887.96	527,499,269.41
Yugoslavia.....	30,080,743.69	38,185,212.56	46,318,178.08	58,539,981.83	90,337,527.06	11,698,552.64	275,160,195.86
United States of America.....		14,858,882.24	98,777,266.58	85,163,566.83	100,150,573.84	1,480,378.31	300,430,667.80
Rumania.....	7,394,225.43	8,976,938.57	10,645,707.83	15,350,384.41	23,832,951.73	1,003,612.—	67,243,819.97
Japan.....	3,809,332.46	2,819,678.62	10,131,526.92	9,095,154.88	12,812,040.18	6,409,378.50	45,077,711.56
Portugal.....	4,724,399.86	6,279,581.64	8,110,562.59	10,060,275.90	14,385,173.11	1,334,708.51	44,894,701.61
Greece.....	2,642,364.43	3,159,367.06	4,237,861.94	4,356,412.80	6,893,443.22	2,444,946.68	23,734,396.13
Poland.....	40,179.12	153,052.85	242,531.97	304,118.90	560,053.55	117,553.87	1,417,490.26
Totals.....	788,995,189.02	1,060,229,010.15	1,280,699,485.86	1,640,520,343.30	2,352,008,265.91	311,728,861.90	7,434,181,156.14
Service of German Ex- ternal Loan 1924.....	77,529,576.60	97,213,009.36	91,318,198.22	90,491,098.29	89,315,388.27	Dr. 6,036,548.79	439,830,721.95
Other prior charges, prin- cipally costs of Inter- Allied Commissions.....	26,716,733.78	18,434,947.21	10,070,695.27	8,285,753.82	11,518,559.19	Dr. 49,818.63	74,976,870.64
Total transfers.....	893,241,499.40	1,175,876,966.72	1,382,088,379.35	1,739,297,195.41	2,452,842,213.37	305,642,494.48	7,948,988,748.73

¹ Including allowances for army costs (both current and in arrears), the Belgian war debt allotments, and the allowances for restitution.

Exhibit XV.

**Statement showing Total Receipts and Allocations
Made from September 1, 1929, to March 31, 1930,
pursuant to The Hague Protocol of August 31, 1929,
as supplemented by The Hague Agreement of
January 20, 1930 (Young Plan).**

	Gold Marks	Reichsmarks
Receipts		
From Germany		
(a) <i>Interest and amortisation on Rail- way Reparation Bonds</i>	330,000,000.—	
<i>Less discount on advance payments</i>	4,800,140.60	
	325,199,859.40	324,259,934.02
(b) <i>Budgetary Contribution</i>	729,166,666.67	727,346,120.—
(c) <i>Transport Tax</i>	144,999,999.96	144,668,529.96
Interest received and exchange differences		7,485,998.69
<i>Total Receipts</i>		1,203,760,582.67
Allocations Made		
For Service of the German External Loan 1924		55,490,150.83
For distribution to the Creditor Powers, under the Agreement upon the Transition Period (Annex III to The Hague Protocol of August 31, 1929)		742,800,000.—
Contribution to Reserve Fund for Costs of Occupation, provided for in Annex IV to The Hague Protocol of August 31, 1929		30,000,000.—
Contribution to Fund for expenses of Commissions and of Organisations under the Dawes Plan, provided for in Article II of Annex III to The Hague Protocol of August 31, 1929		6,000,000.—
<i>Total Allocations</i>		834,290,150.83
Balance as at March 31, 1930		
Funds received from Germany in excess of allocations made (representing the difference between payments on Dawes Plan basis and amounts provided in Young Plan) ¹ 361,984,433.15		
Interest received and exchange differences, as above, unallocated	7,485,998.69	369,470,431.84

¹ Of this amount, 359,495,833.33 reichsmarks stood invested, as at March 31, 1930, in Treasury certificates of the Reich (Reichsschatzanweisungen) to the nominal amount of 361,000,000 reichsmarks, maturing April 30, 1930, pursuant to the Transitory Provisions agreed upon by the interested Governments as part of The Hague Agreement of January 20, 1930.

**We have audited the books and accounts of the Agent General for
Reparation Payments for the period from September 1, 1929, to March 31,
1930, and certify that the above statement is correctly prepared therefrom
and in our opinion properly sets forth the total receipts and allocations
made during this period pursuant to The Hague Protocol of August 31,
1929, as supplemented by The Hague Agreement of January 20, 1930.**

Berlin, April 3, 1930.

Price, Waterhouse & Co.

bit XVI.

Payments—March 31, 1930 (Young Plan).

The Hague Protocol of August 31, 1929).

Liabilities	Reichsmarks	Reichsmarks
II. Accounts payable:		
(a) Deliveries of coal, coke and lignite (including transport)—based on information furnished by the Reparation Commission Office for Deliveries in Kind or by the National Representatives	2,810,067.14	
(b) Deliveries of coal by-products.....	427,064.66	
(c) Deliveries of refractory earths.....	3,025.50	
(d) Deliveries of agricultural products	126,198.—	
(e) Deliveries of timber.....	158,665.97	
(f) Miscellaneous deliveries.....	12,046,086.74	15,571,108.01
III. Allied and Associated Powers—funds allocated and uncovered by payments or accounts payable, calculated on the basis of the distribution of the first Annuity under the Young Plan:		
	Funds committed under approved contracts	Funds uncommitted
(a) France	54,921,346.16	32,002,159.04
(b) Italy	549,452.56	963,210.06
(c) Belgium.....	2,414,312.80	191,312.92
(d) Yugoslavia	3,866,062.10	4,147,789.61
(e) Japan.....	1,874,675.17	5,452,382.95
(f) Portugal	283,686.15	173,565.75
(g) Poland	—	63,271.67
	63,909,534.94	42,993,692.—
		106,903,226.94
IV. Special Funds:		
(a) for Costs of Occupation-French Army and Rhineland High Commission.....	15,168,230.02	
(b) for Costs of Commissions and of Organisations under the Dawes Plan.....	740,213.45	15,908,443.47
	Total....	138,382,778.42

with the books and in our opinion correctly sets forth the assets and liabilities of available for expenditure under The Hague Protocol of August 31, 1929.

Price, Waterhouse & Co.

Exhi

**Statement showing Available Funds and Payments
from September 1, 1929, to**

Available Funds	Reichsmarks
I. Allocations made pursuant to The Hague Protocol (See Exhibit XV):	
(a) For service of German External Loan 1924	55,490,150.83
(b) For distribution to the Creditor Powers	742,800,000.—
(c) For contribution to Reserve Fund for Costs of Occupation ..	30,000,000.—
(d) For contribution to Fund for expenses of Commissions and of Organisations under the Dawes Plan	6,000,000.—
<i>Total available funds.....</i>	834,290,150.83
<i>Carried forward.....</i>	834,290,150.83

bit XVII.

**Made under The Hague Protocol of August 31, 1929,
March 31, 1930 (Young Plan).**

Payments Made	Reichsmarks	Reichsmarks
II. Allied and Associated Powers:		
<i>(a) France:</i>		
1. Reparation Recovery Act	21,507,000.—	
2. Deliveries of coal, coke and lignite (including transport)	28,972,506.13	
3. Deliveries of dyestuffs and pharmaceutical products	7,772,738.88	
4. Deliveries of chemical fertilisers and nitrogenous products	7,651,761.78	
5. Deliveries of coal by-products	6,704,416.—	
6. Deliveries of refractory earths	140,230.90	
7. Deliveries of agricultural products	115,296.24	
8. Deliveries of timber	468,281.06	
9. Miscellaneous deliveries	122,416,592.58	
10. Miscellaneous payments	523,567.22	
11. Cash transfers in foreign currencies	125,000,000.—	321,272,390.79
<i>(b) Great Britain:</i>		
1. Marks supplied to army of occupation ...	1,400,000.—	
2. Expenses of Commission of Interpretation (Furnishings to army under Arts. 8-12 of Rhineland Agreement)	4,188.17	
3. Reparation Recovery Act	46,036,000.—	
4. Cash transfers in foreign currencies	5,659,811.83	53,100,000.—
<i>(c) Italy:</i>		
1. Deliveries of coal and coke (including transport)	32,839,922.31	
2. Deliveries of coal by-products	600,052.33	
3. Cash transfers in foreign currencies	8,284,820.95	41,724,795.59
<i>(d) Belgium:</i>		
1. Marks supplied to army of occupation ...	150,000.—	
2. Expenses of Commission of Interpretation (Furnishings to army under Arts. 8-12 of Rhineland Agreement)	4,188.17	
3. Deliveries of dyestuffs and pharmaceutical products	5,227,271.56	
4. Deliveries of chemical fertilisers and nitrogenous products	590,119.29	
5. Deliveries of coal by-products	578,857.75	
6. Miscellaneous deliveries	13,781,624.52	
7. Cash transfers in foreign currencies	46,045,811.83	66,377,873.12
<i>Carried forward</i>		482,475,059.50

Exhibit XVII

**Statement showing Available Funds and Payments
from September 1, 1929, to**

Available Funds	Reichsmarks
<i>Brought forward.....</i>	834,290,150.83
<i>Total.....</i>	834,290,150.83

We have audited the books and accounts of the Agent General for Reparation that the above statement is correctly prepared therefrom and in our opinion August 31, 1929, and the payments made thereout during this period.

Berlin, April 3, 1930.

(Continued).

**Made under The Hague Protocol of August 31, 1929,
March 31, 1930 (Young Plan).**

Payments Made	Reichsmarks	Reichsmarks
<i>Brought forward.....</i>		482,475,059.50
<i>(e) Yugoslavia:</i>		
1. Deliveries of chemical fertilisers and nitro- genous products.....	232,000.—	
2. Miscellaneous deliveries	18,570,644.62	
3. Miscellaneous payments	242,000.—	
4. Cash transfers in foreign currencies	44,205,837.10	63,250,481.72
<i>(f) United States of America:</i>		
1. Deliveries under agreement.....	21,479,333.40	
2. Cash transfers in foreign currencies	44,420,666.60	65,900,000.—
<i>(g) Japan:</i>		
1. Deliveries of chemical fertilisers and nitro- genous products.....	689,300.33	
2. Miscellaneous deliveries	1 269,683.66	
3. Cash transfers in foreign currencies	1,011,663.41	2,970,647.40
<i>(h) Portugal:</i>		
1. Miscellaneous deliveries	4,064,348.89	
2. Cash transfers in foreign currencies	1,228,399.21	5,292,748.10
<i>(i) Poland:</i>		
1. Deliveries of agricultural products.....		436,728.33
<i>Total in respect of Powers.....</i>		620,325,665.05
III. Service of German External Loan 1924..		55,490,150.83
IV. Costs of Occupation—French Army and Rhine- land High Commission, chargeable to Reserve Fund		14,831,769.98
V. Costs of Commissions and of Organisations under the Dawes Plan, chargeable to special Fund for such expenses.....		5,259,786.55
<i>Total payments.....</i>		695,907,372.41
VI. Bank balances and other funds available upon demand at March 31, 1930		138,382,778.42
<i>Total.....</i>		834,290,150.83

Payments for the period from September 1, 1929, to March 31, 1930, and certify properly sets forth the funds available for expenditure under The Hague Protocol of

Price, Waterhouse & Co.

**Distribution among the Powers of Amounts
September 1, 1929, to
(Funds Available under The**

	Amounts available September 1, 1929, to March 31, 1930	Total payments September 1, 1929, to March 31, 1930
	Reichsmarks	Reichsmarks
1. France	418,800,000.—	321,272,390.79
2. Great Britain	53,100,000.—	53,100,000.—
3. Italy	45,027,350.—	41,724,795.59
4. Belgium	70,700,000.—	66,377,873.12
5. Yugoslavia	72,100,000.—	63,250,481.72
6. United States of America	65,900,000.—	65,900,000.—
7. Japan	10,672,650.—	2,970,647.40
8. Portugal	6,000,000.—	5,292,748.10
9. Poland	500,000.—	436,728.33
<i>Totals in respect of Powers....</i>	742,800,000.—	620,325,665.05
10. Service of German External Loan 1924	55,490,150.83	55,490,150.83
11. Costs of Occupation-French Army and Rhineland High Commission, chargeable to Reserve Fund	14,831,769.98	14,831,769.98
12. Costs of Commissions and of Organi- sations under the Dawes Plan, charge- able to special Fund for such expenses	5,259,786.55	5,259,786.55
<i>Totals....</i>	818,381,707.36	695,907,372.41

bit XVIII.

**Available for Expenditure during the Period
March 31, 1930 (Young Plan).**

Hague Protocol of August 31, 1929).

Accounts payable at March 31, 1930	Total payments and accounts payable at March 31, 1930	Powers' Balances at March 31, 1930 (per Balance Sheet)	
		Funds allocated and uncovered by payments or accounts payable	
		Funds committed under approved contracts	Funds uncommitted
Reichsmarks	Reichsmarks	Reichsmarks	Reichsmarks
10,604,104.01	331,876,494.80	54,921,346.16	32,002,159.04
—	53,100,000.—	—	—
1,789,891.79	43,514,687.38	549,452.56	963,210.06
1,716,501.16	68,094,374.28	2,414,312.80	191,312.92
835,666.57	64,086,148.29	3,866,062.10	4,147,789.61
—	65,900,000.—	—	—
374,944.48	3,345,591.88	1,874,675.17	5,452,382.95
250,000.—	5,542,748.10	283,686.15	173,565.75
—	436,728.33	—	63,271.67
15,571,108.01	635,896,773.06	63,909,534.94	42,993,692.—
—	55,490,150.83	—	—
—	14,831,769.98	—	—
—	5,259,786.55	—	—
15,571,108.01	711,478,480.42	63,909,534.94	42,993,692.—

Exhibit XIX.

**Analysis of Payments and Accounts Payable for the
Period September 1, 1929, to March 31, 1930 (Young Plan),
according to Category of Expenditure.**

(Funds Available under
The Hague Protocol of August 31, 1929).

	Total payments Sept. 1, 1929, to March 31, 1930	Accounts payable at March 31, 1930	Total payments and accounts payable at March 31, 1930
	Reichsmarks	Reichsmarks	Reichsmarks
1. Marks supplied to armies of occupation:			
Great Britain	1,400,000.—	—	1,400,000.—
Belgium	150,000.—	—	150,000.—
	1,550,000.—	—	1,550,000.—
2. Expenses of Commis- sion of Interpretation (Furnishings to armies under Arts. 8—12 of Rhineland Agreement):			
Great Britain	4,188.17	—	4,188.17
Belgium	4,188.17	—	4,188.17
	8,376.34	—	8,376.34
3. Reparation Recovery Acts:			
France	21,507,000.—	—	21,507,000.—
Great Britain	46,036,000.—	—	46,036,000.—
	67,543,000.—	—	67,543,000.—
4. Deliveries of coal, coke and lignite (including transport):			
France	28,972,506.13	1,020,175.35	29,992,681.48
Italy	32,839,922.31	1,789,891.79	34,629,814.10
	61,812,428.44	2,810,067.14	64,622,495.58
5. Deliveries of dyestuffs and pharmaceutical pro- ducts:			
France	7,772,738.88	—	7,772,738.88
Belgium	5,227,271.56	—	5,227,271.56
	13,000,010.44	—	13,000,010.44
<i>Totals carried forward ...</i>	143,913,815.22	2,810,067.14	146,723,882.36

	Total payments Sept. 1, 1929, to March 31, 1930	Accounts payable at March 31, 1930	Total payments and accounts payable at March 31, 1930
	Reichsmarks	Reichsmarks	Reichsmarks
<i>Totals brought forward . . .</i>	143,913,815.22	2,810,067.14	146,723,882.36
6. Deliveries of chemical fertilisers and nitrogen- ous products:			
France	7,651,761.78	—	7,651,761.78
Belgium	590,119.29	—	590,119.29
Yugoslavia	232,000.—	—	232,000.—
Japan	689,300.33	—	689,300.33
	9,163,181.40	—	9,163,181.40
7. Deliveries of coal by- products:			
France	6,704,416.—	427,064.66	7,131,480.66
Italy	600,052.33	—	600,052.33
Belgium	578,857.75	—	578,857.75
	7,883,326.08	427,064.66	8,310,390.74
8. Deliveries of refractory earths:			
France	140,230.90	3,025.50	143,256.40
9. Deliveries of agricul- tural products:			
France	115,296.24	—	115,296.24
Belgium	—	126,198.—	126,198.—
Poland	436,728.33	—	436,728.33
	552,024.57	126,198.—	678,222.57
10. Deliveries of timber:			
France	468,281.06	158,665.97	626,947.03
11. Miscellaneous deliveries:			
France	122,416,592.58	8,995,172.53	131,411,765.11
Belgium	13,781,624.52	1,590,303.16	15,371,927.68
Yugoslavia	18,570,644.62	835,666.57	19,406,311.19
Japan	1,269,683.63	374,944.48	1,644,628.14
Portugal	4,064,348.89	250,000.—	4,314,348.89
	160,102,894.27	12,046,086.74	172,148,981.01
12. Deliveries under agree- ment:			
United States of America	21,479,333.40	—	21,479,333.40
13. Miscellaneous payments:			
France	523,567.22	—	523,567.22
Yugoslavia	242,000.—	—	242,000.—
	765,567.22	—	765,567.22
<i>Totals carried forward</i>	344,468,654.12	15,571,108.01	360,039,762.13

	Total payments Sept. 1, 1929, to March 31, 1930	Accounts payable at March 31, 1930	Total payments and accounts payable at March 31, 1930
	Reichsmarks	Reichsmarks	Reichsmarks
<i>Totals brought forward . . .</i>	344,468,654.12	15,571,108.01	360,039,762.13
14. Cash transfers in foreign currencies:			
France	125,000,000.—	—	125,000,000.—
Great Britain	5,659,811.83	—	5,659,811.83
Italy	8,284,820.95	—	8,284,820.95
Belgium	46,045,811.83	—	46,045,811.83
Yugoslavia	44,205,837.10	—	44,205,837.10
United States of America	44,420,666.60	—	44,420,666.60
Japan	1,011,663.41	—	1,011,663.41
Portugal	1,228,399.21	—	1,228,399.21
	275,857,010.93	—	275,857,010.93
<i>Totals in respect of Powers . . .</i>	620,325,665.05	15,571,108.01	635,896,773.06

Exhibit XX.

Statement showing Total Receipts and Allocations Made from April 1 to May 17, 1930, pursuant to The Hague Protocol of August 31, 1929, as supplemented by The Hague Agreement of January 20, 1930 (Young Plan).

Receipts	Gold Marks	Reichsmarks
Balance as at April 1, 1930		369,470,431.84
From Germany		
(a) Interest and amortisation on Railway Reparation Bonds	110,000,000.—	
Less discount on advance payments	2,150,795.28	
	107,849,204.72	107,489,956.68
(b) Budgetary Contribution	192,072,681.02	191,413,580.92
Interest received and exchange differences		3,173,174.21
<i>Total</i>		671,547,143.65
Allocations Made		
For Service of the German External Loan 1924		14,253,537.60
For distribution to the Creditor Powers, under the Agreement upon the Transition Period (Annex III to The Hague Protocol of August 31, 1929)		284,650,000.—
Interest received and exchange differences allocated to funds available under The Hague Protocol of August 31, 1929		3,421,529.48
<i>Total Allocations</i>		302,325,067.08
Balance as at May 17, 1930, to be reimbursed to Germany, under The Hague Agreement of January 20, 1930, upon the coming into force of the New Plan:		
Funds received from Germany in excess of allocations made (representing the difference between payments on Dawes Plan basis and amounts provided in Young Plan)	361,984,433.15	
Interest applicable thereto	7,237,643.42	369,222,076.57

We have audited the books and accounts of the Agent General for Reparation Payments for the period from April 1 to May 17, 1930, and certify that the above statement is correctly prepared therefrom and in our opinion properly sets forth the total receipts and allocations made during this period pursuant to The Hague Protocol of August 31, 1929, as supplemented by The Hague Agreement of January 20, 1930.

Berlin, May 20, 1930.

Price, Waterhouse & Co.

bit XXI.

Payments—May 17, 1930 (Young Plan).

The Hague Protocol of August 31, 1929).

Liabilities	Reichsmarks	Reichsmarks
II. Accounts payable:		
(a) Deliveries of coal, coke and lignite (including transport)—based on information furnished by the Reparation Commission Office for Deliveries in Kind or by the National Representatives	3,242,194.75	
(b) Deliveries of chemical fertilisers and nitrogenous products	805,467.62	
(c) Deliveries of coal by-products	216,710.99	
(d) Deliveries of refractory earths	5,736.88	
(e) Deliveries of agricultural products	23,616.06	
(f) Deliveries of timber	44,977.—	
(g) Miscellaneous deliveries	13,960,973.53	18,299,676.83
III. Allied and Associated Powers —funds allocated and uncovered by payments or accounts payable, calculated on the basis of the distribution of the Annuities under the Young Plan:		
	Funds committed under approved contracts or Reparation Recovery Act Agreements	Funds uncommitted
(a) France	77,626,743.64	34,906,113.33
(b) Great Britain	10,609,105.16	309,752.74
(c) Italy	2,464,881.92	584,983.49
(d) Belgium	3,541,044.87	319,037.76
(e) Yugoslavia	5,218,810.80	4,897,533.03
(f) Rumania	750,000.—	169,271.32
(g) Japan	1,856,281.06	6,077,546.03
(h) Portugal	342,014.16	30,408.50
(i) Greece	—	937.67
(j) Poland	—	2,147.31
	102,408,881.61	47,297,731.18
		149,706,612.79
	Total....	168,006,289.62

with the books and in our opinion correctly sets forth the assets and liabilities of available for expenditure under The Hague Protocol of August 31, 1929.

Price, Waterhouse & Co.

Exhi

**Statement showing Available Funds and Payments
from April 1 to**

Available Funds	Reichsmarks
I. Allocations made pursuant to The Hague Protocol (See Exhibit XX):	
(a) For service of German External Loan 1924	14,253,537.60
(b) For distribution to the Creditor Powers	284,650,000.—
II. Interest and exchange differences for the period September 1, 1929, to May 17, 1930, allocated to:	
(a) Funds available for distribution to the Creditor Powers	3,158,307.61
(b) Reserve Fund for Costs of Occupation	191,627.97
(c) Fund for Costs of Commissions and of Organisations under the Dawes Plan	71,593.90
III. Bank balances and other funds available upon demand at April 1, 1930	138,382,778.42
<i>Total available funds....</i>	440,707,845.50
<i>Carried forward....</i>	440,707,845.50

bit XXII.

**Made under The Hague Protocol of August 31, 1929,
May 17, 1930 (Young Plan).**

Payments Made	Reichsmarks	Reichsmarks
IV. Allied and Associated Powers:		
<i>(a) France:</i>		
1. Reparation Recovery Act.....	4,066,792.—	
2. Deliveries of coal, coke and lignite (including transport)	5,319,246.20	
3. Deliveries of chemical fertilisers and nitrogenous products.....	Dr 195,895.04	
4. Deliveries of coal by-products	1,638,754.76	
5. Deliveries of refractory earths	44,542.36	
6. Deliveries of agricultural products	14,773.51	
7. Deliveries of timber.....	232,807.54	
8. Deliveries of sugar	3,936.44	
9. Miscellaneous deliveries	27,209,072.13	
10. Miscellaneous payments	74,796.15	
11. Cash transfers in foreign currencies	83,333,333.—	121,742,159.05
<i>(b) Great Britain:</i>		
1. Reparation Recovery Act.....	21,218,228.17	
2. Cash transfers in foreign currencies	29,306,000.—	50,524,228.17
<i>(c) Italy:</i>		
1. Deliveries of coal and coke (including transport)	7,939,789.31	
2. Cash transfers in foreign currencies	17,250,000.—	25,189,789.31
<i>(d) Belgium:</i>		
1. Deliveries of dyestuffs and pharmaceutical products	795,563.03	
2. Deliveries of chemical fertilisers and nitrogenous products.....	346,603.96	
3. Deliveries of coal by-products	119,668.31	
4. Deliveries of agricultural products	126,241.20	
5. Miscellaneous deliveries	3,717,088.44	
6. Cash transfers in foreign currencies	11,241,665.04	16,346,829.98
<i>(e) Yugoslavia:</i>		
1. Miscellaneous deliveries	4,844,236.12	
2. Miscellaneous payments	79,000.—	
3. Cash transfers in foreign currencies	6,983,332.—	11,906,568.12
<i>Carried forward....</i>		225,709,574.63

(Continued).

**Made under The Hague Protocol of August 31, 1929,
May 17, 1930 (Young Plan).**

Payments Made	Reichsmarks	Reichsmarks
<i>Brought forward....</i>		225,709,574.63
<i>(f) United States of America:</i>		
1. Deliveries under agreement.....	3,295,200.—	
2. Cash transfers in foreign currencies.....	7,754,800.—	11,050,000.—
<i>(g) Rumania:</i>		
1. Miscellaneous deliveries.....		631,130.—
<i>(h) Japan:</i>		
1. Miscellaneous deliveries.....	375,220.56	
2. Cash transfers in foreign currencies.....	1,631,250.—	2,006,470.56
<i>(i) Portugal:</i>		
1. Miscellaneous deliveries.....	1,663,911.74	
2. Cash transfers in foreign currencies.....	384,000.01	2,047,911.75
<i>(j) Greece:</i>		
1. Cash transfers in foreign currencies.....		684,661.—
<i>(k) Poland:</i>		
1. Cash transfers in foreign currencies.....		146,605.—
<i>Total in respect of Powers....</i>		242,276,352.94
V. Service of German External Loan 1924..		14,253,537.60
VI. Costs of Occupation:		
(a) French Army and Rhineland High Commission, chargeable to Reserve Fund....		1,285,000.—
(b) Balance of the Fund transferred to French Government to meet costs to date of evacuation.....		14,074,857.99
VII. Costs of Commissions and of Organisations under the Dawes Plan, chargeable to special Fund for such expenses.....		811,807.35
<i>Total payments....</i>		272,701,555.88
VIII. Bank balances and other funds available upon demand at May 17, 1930.....		168,006,289.62
<i>Total....</i>		440,707,845.50

Payments for the period from April 1, to May 17, 1930, and certify that the above the funds available for expenditure under The Hague Protocol of August 31,

Price, Waterhouse & Co.

Distribution among the Powers of Amounts
April 1 to May 17,
(Funds Available under The

	Amounts available April 1 to May 17, 1930	Total payments April 1 to May 17, 1930
	Reichsmarks	Reichsmarks
1. France.....	249,568,386.29	121,742,159.05
2. Great Britain.....	61,443,086.07	50,524,228.17
3. Italy.....	29,564,639.06	25,189,789.31
4. Belgium.....	20,999,586.93	16,346,829.98
5. Yugoslavia.....	22,394,396.10	11,906,568.12
6. United States of America.....	11,050,000.—	11,050,000.—
7. Rumania.....	1,669,271.32	631,130.—
8. Japan.....	9,958,691.76	2,006,470.56
9. Portugal.....	2,800,234.05	2,047,911.75
10. Greece.....	685,598.67	684,661.—
11. Poland.....	148,752.31	146,605.—
<i>Totals in respect of Powers....</i>	410,282,642.56	242,276,352.94
12. Service of German External Loan 1924	14,253,537.60	14,253,537.60
13. Costs of Occupation:		
(a) French Army and Rhineland High Commission, chargeable to Reserve Fund.....	1,285,000.—	1,285,000.—
(b) Balance of the Fund transferred to French Government to meet costs to date of evacuation.....	14,074,857.99	14,074,857.99
14. Costs of Commissions and of Organi- sations under the Dawes Plan, charge- able to special Fund for such expenses	811,807.35	811,807.35
<i>Totals....</i>	440,707,845.50	272,701,555.88

bit XXIII.

**Available for Expenditure during the Period
1930 (Young Plan).**

Hague Protocol of August 31, 1929.)

Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930	Powers' Balances at May 17, 1930 (per Balance Sheet)	
		Funds allocated and uncovered by payments or accounts payable	
		Funds committed under approved contracts or Reparation Recovery Act Agreements Reichsmarks	Funds uncommitted Reichsmarks
Reichsmarks	Reichsmarks		
15,293,370.27	137,035,529.32	77,626,743.64	34,906,113.33
—	50,524,228.17	10,609,105.16	309,752.74
1,324,984.34	26,514,773.65	2,464,881.92	584,983.49
792,674.32	17,139,504.30	3,541,044.87	319,037.76
371,484.15	12,278,052.27	5,218,810.80	4,897,533.03
—	11,050,000.—	—	—
118,870.—	750,000.—	750,000.—	169,271.32
18,394.11	2,024,864.67	1,856,281.06	6,077,546.03
379,899.64	2,427,811.39	342,014.16	30,408.50
—	684,661.—	—	937.67
—	146,605.—	—	2,147.31
18,299,676.83	260,576,029.77	102,408,881.61	47,297,731.18
—	14,253,537.60	—	—
—	1,285,000.—	—	—
—	14,074,857.99	—	—
—	811,807.35	—	—
18,299,676.83	291,001,232.71	102,408,881.61	47,297,731.18

Exhibit XXIV.

**Analysis of Payments and Accounts Payable for the
Period April 1 to May 17, 1930 (Young Plan),
according to Category of Expenditure.**

(Funds Available under
The Hague Protocol of August 31, 1929.)

	Total payments April 1 to May 17, 1930	Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930
	Reichsmarks	Reichsmarks	Reichsmarks
1. Reparation Recovery Acts:			
France	4,066,792.—	—	4,066,792.—
Great Britain	21,218,228.17	—	21,218,228.17
	25,285,020.17	—	25,285,020.17
2. Deliveries of coal, coke and lignite (including transport):			
France	5,319,246.20	1,917,210.41	7,236,456.61
Italy	7,939,789.31	1,324,984.34	9,264,773.65
	13,259,035.51	3,242,194.75	16,501,230.26
3. Deliveries of dyestuffs and pharmaceutical products:			
Belgium	795,563.03	—	795,563.03
4. Deliveries of chemical fertilisers and nitrogenous products:			
France	Dr. 195,895.04	805,467.62	609,572.58
Belgium	346,603.96	—	346,603.96
	150,708.92	805,467.62	956,176.54
5. Deliveries of coal by-products:			
France	1,638,754.76	216,710.99	1,855,465.75
Belgium	119,668.31	—	119,668.31
	1,758,423.07	216,710.99	1,975,134.06
6. Deliveries of refractory earths:			
France	44,542.36	5,736.88	50,279.24
<i>Totals carried forward...</i>	41,293,293.06	4,270,110.24	45,563,403.30

	Total payments April 1 to May 17, 1930	Accounts payable at May 17, 1930	Total payments and accounts payable at May 17, 1930
	Reichsmarks	Reichsmarks	Reichsmarks
<i>Totals brought forward</i>	41,293,293.06	4,270,110.24	45,563,403.30
7. Deliveries of agricultural products:			
France	14,773.51	23,616.06	38,389.57
Belgium	126,241.20	—	126,241.20
	141,014.71	23,616.06	164,630.77
8. Deliveries of timber:			
France	232,807.54	44,977.—	277,784.54
9. Deliveries of sugar:			
France	3,936.44	—	3,936.44
10. Miscellaneous deliveries:			
France	27,209,072.13	12,279,651.31	39,488,723.44
Belgium	3,717,088.44	792,674.32	4,509,762.76
Yugoslavia	4,844,236.12	371,484.15	5,215,720.27
Rumania	631,130.—	118,870.—	750,000.—
Japan	375,220.56	18,394.11	393,614.67
Portugal	1,663,911.74	379,899.64	2,043,811.38
	38,440,658.99	13,960,973.53	52,401,632.52
11. Deliveries under agreement:			
United States of America	3,295,200.—	—	3,295,200.—
12. Miscellaneous payments:			
France	74,796.15	—	74,796.15
Yugoslavia	79,000.—	—	79,000.—
	153,796.15	—	153,796.15
13. Cash transfers in foreign currencies:			
France	83,333,333.—	—	83,333,333.—
Great Britain	29,306,000.—	—	29,306,000.—
Italy	17,250,000.—	—	17,250,000.—
Belgium	11,241,665.04	—	11,241,665.04
Yugoslavia	6,983,332.—	—	6,983,332.—
United States of America	7,754,800.—	—	7,754,800.—
Japan	1,631,250.—	—	1,631,250.—
Portugal	384,000.01	—	384,000.01
Greece	684,661.—	—	684,661.—
Poland	146,605.—	—	146,605.—
	158,715,646.05	—	158,715,646.05
<i>Totals in respect of Powers ...</i>	242,276,352.94	18,299,676.83	260,576,029.77

Exhibit XXV.

**Consolidated Balance Sheet of the Agent General for Reparation Payments — May 17, 1930.
Incorporating Funds derived from Annuities under the Dawes Plan and Funds Available for Expenditure
under The Hague Protocol of August 31, 1929.**

A s s e t s			Reichsmarks
I. Bank Balances	Reichsbank	ℛ. 73,716,807.12	
	Federal Reserve Bank of New York	416,692.23	
	Bank of England	£ 99,413.63	
	Banque de France	82,017.94	
	..... F. F. 113,623.57	18,679.71	74,234,197.—
II. Short term investments as valued by the Federal Reserve Bank of New York, the Bank of England and the Banque de France respectively:	..... \$ 10,990,160.47	ℛ. 46,065,257.61	
	..... £ 3,002,215.17.5	61,155,137.29	
	..... F. F. 7,525,375.10	1,237,171.67	108,457,566.57
	Total		182,691,763.57
L i a b i l i t i e s			Reichsmarks
III. Allied and Associated Powers — Funds allocated and uncovered by payments, calculated on the basis of the distribution of the Annuities as adopted in The Hague Agreement of January 20, 1930:	Accounts payable in respect of deliveries in kind	Funds committed under approved contracts or Reparation Recovery Act Agreements	Funds uncommitted
(a) France	Reichsmarks 20,223,451.65	Reichsmarks 86,969,473.36	Reichsmarks 35,206,402.34
(b) Great Britain	—	10,609,105.16	313,193.11
(c) Italy	1,324,984.34	2,464,881.92	586,108.39
(d) Belgium	792,674.32	3,541,044.87	319,820.58
(e) Yugoslavia	371,484.15	5,218,810.80	4,898,080.65
(f) Rumania	118,870.—	750,000.—	245,512.47
(g) Japan	18,394.11	1,856,281.06	6,077,638.48
(h) Portugal	379,899.64	342,014.16	30,500.49
(i) Greece	—	—	986.22
(j) Poland	—	—	2,151.30
	23,229,758.21	111,781,611.33	47,680,394.03
			182,691,763.57

We have audited the above Balance Sheet and certify that it is in accordance with the books and in our opinion correctly sets forth the assets and liabilities of the Agent General for Reparation Payments at May 17, 1930, in respect of funds derived from Annuities under the Dawes Plan and funds available for expenditure under The Hague Protocol of August 31, 1929.

Exhibit XXVI.

Summary of Personnel, April 30, 1930.

	Nationality						Total
	American	French	British	Italian	Belgian	Dutch	
The Agent General for Reparation Payments Assistants and Staff	1 2	— —	— —	— —	— —	— —	3
The Deputy Agent General for Reparation Payments	1	—	—	—	—	—	1
The Commissioner of the Reichsbank..... Assistants and Staff	— —	— —	— —	— —	— —	1 4	5
The Commissioner for the German Railways Assistants and Staff	— —	1 5	— —	— 1	— 1	— —	8
The Commissioner of Controlled Revenues.. Assistants and Staff	— —	— 1	1 1	— —	— 1	— —	4
The Trustee for the German Railway Bonds	—	—	—	—	1	—	1
The Trustee for the German Industrial Debentures	—	—	—	1	—	—	—
Director of Office and Staff	—	—	—	4	—	—	5
The Transfer Committee	2	1	1	1	1	—	—
Economic Advisers	—	1	—	1	1	—	—
Other Staff	1	6	1	—	—	—	15 ²
Paris Office	—	—	—	—	—	—	—
Secretary and Staff	2	—	1	—	—	—	3
Administrative Services:							
Secretary and Staff	—	—	2	—	1	—	3
Chief Accountant and Staff	2	5	9	2	2	—	20
Translators	—	3	4	—	—	—	7
Private Secretaries, Registry and Filing Staff, Clerks, Stenographers, and Typists	3	9	24	—	—	—	36
<i>Total Personnel</i> ¹	12 ²	32	44	10	8	5	111 ²
Of which the salaries and the costs are chargeable against:							
The Annuity							98
The Reichsbank							5
The German Railways							8
							111
¹ Exclusive of German minor staff employed for upkeep of building, messenger service, etc. ² Total adjusted to avoid duplication within groups. Berlin Office address: 33 Luisenstrasse. Paris Office address: 18 rue de Tilsitt.							

sets forth the assets and liabilities of the agent general for reparations under the Daves Plan and funds available for expenditure under The Hague Protocol of August 31, 1923.

Exhibit XXVII.

German External Loan 1924.

Condition as of October 15, 1929, on Completion of Fifth Loan Year.

T r a n c h e	Nominal value of bonds outstanding as of October 15, 1928	Nominal value of bonds redeemed by purchase or drawn for redemption since October 15, 1928		Nominal value of bonds outstanding as of October 15, 1929
		Drawn	Purchased ¹	
American	\$ 91,895,300	\$ 4,096,300	\$ 304,000	\$ 87,495,000
British	£ 11,154,800	£ 248,700	—	£ 10,906,100
Belgian	£ 1,393,200	£ 31,100	—	£ 1,362,100
Dutch	£ 2,323,600	£ 51,800	—	£ 2,271,800
French	£ 2,787,100	£ 62,100	—	£ 2,725,000
German	£ 297,500	£ 6,600	—	£ 290,900
Italian	Lire 92,582,000	Lire 845,000	Lire 1,230,000	Lire 90,507,000
Swedish	S. Kr. 23,432,000	S. Kr. 522,000	—	S. Kr. 22,910,000
Swiss	£ 2,193,300	£ 48,900	—	£ 2,144,400
Swiss	S. Frs. 13,946,000	S. Frs. 311,000	—	S. Frs. 13,635,000

¹ The gold mark equivalent of the currencies representing the capital saving through redemption by purchase amounted to 1,670.08 gold marks, converted as of October 15, 1929.

Annex I.

Berlin, March 17, 1927.

From: The Agent General for Reparation Payments.

To: The Finance Minister of the Reich, Berlin.

Dear Mr. Minister,

I understand from the proposals which have been presented to the Reichstag and from your own statement of March 14th to the tax committee, that the parties represented in the present Government are contemplating a further provisional settlement of the financial relations between the Reich and the States and communes, and are proposing that this new provisional settlement should extend until April 1, 1929. It appears, in general, that the proposed settlement is to be based on the law of August 10, 1925, and that the States are to continue to be permitted to draw from the Reich 75 per cent of the income and corporation taxes and 30 per cent of the turnover tax. The special guaranty of the yield of the turnover tax will come to an end under existing law on March 31, 1927. It is proposed, however, that the Reich will now guarantee to the States that their shares in the income tax, the corporation tax, and the turnover tax, taken together, will amount at the minimum to 2,600 million reichsmarks, as compared with the present guaranty of 2,100 million reichsmarks under the law of August 10, 1925, and the guaranty of 2,400 million that was proposed in the draft budget presented to the Reichstag on January 6, 1927. In addition, the Government of the Reich is proposing increased grants to several States, based on the proceeds of the beer tax, and at the same time is apparently contemplating important concessions to the States in other directions.

I understand from my conversation with you on the 12th of March that you regard the proposed new financial arrangements with the States and communes as advantageous from the point of view of the Reich, and that you believe this provisional settlement will provide a sufficient period of quiet to enable the German Government, within a year at the latest, to prepare a new law fixing the financial relations between the Reich and the States and communes on a definitive basis. I have been glad on my part to ascertain your point of view in the matter, and have welcomed particularly your statement that the German Government expects to be able within the coming year to present to the Reichstag its

programme for the definitive financial settlement. On the other hand, it is difficult to escape the fact that the proposed new arrangements, taken together, put a heavy burden on the budget of the Reich and largely increase the commitments of the Reich to the States and communes. It is impossible in advance to tell what the actual payments may prove to be, but the Reich is proposing at any rate to increase its minimum guaranty to the States and communes by 500 million reichsmarks, rising from 2,100 million reichsmarks under existing law to 2,600 millions a year in the two financial years 1927-28 and 1928-29. This guaranty, though increased to 2,600 million reichsmarks a year, is apparently to be only a minimum and not a maximum guaranty. The States will get still larger payments from the Reich in case their share in the actual yield of the income, corporation and turnover taxes exceeds the amount guaranteed, and will draw these additional funds automatically, without reference to their respective needs. The settlement now proposed would prolong this system until April 1, 1929, and postpone for another two years the definitive reform of the financial relations between the Reich and the States and communes.

I realize that the financial settlement between the Reich and the States and communes presents internal questions of great delicacy and difficulty, and I have no desire, even if it were appropriate, to intervene in the determination of these questions or to express any opinion on their merits. At the same time, the prospect of increased payments from the Reich to the States and communes, and the continued postponement of the definitive settlement of their financial relations, do raise important questions from the standpoint of the Experts' Plan, and I think it may be helpful if I lay before you at this time a number of considerations which suggest themselves from the point of view of the operation of the Plan.

First of all, there is the general consideration of the stability of the German budget. The First Committee of Experts was appointed to "consider the means of balancing the budget and the measures to be taken to stabilise the currency" of Germany. In its Report the Experts' Committee stated its view of the budget problem as follows:

"It will be obvious that the balancing of the budget is, like the stabilisation of the currency, of little value unless it can be maintained. It is not enough to be satisfied that one or even several budgets will be balanced. It is necessary to consider under what conditions, assuming sound administration, financial as well as currency stability can be continuously ensured, or rather under what conditions such stability once gained is likely to be endangered. It is inevitable therefore that we should look forward, not indeed in the same detail but with proper regard to the chief determining factors, to those later years during which Germany will have gradually to liquidate her external Treaty obligations."

This quotation is sufficient to show the interest of the Plan in the continued stability of the German budget, and the concern that there would be from the standpoint of the Plan in case a régime of increased expenditures, through payments to the States and com-

munes or otherwise, were to involve any danger of disturbing the equilibrium of the German budget as a whole. Moreover, on the revenue side of the budget, the income tax, the corporation tax, and the turnover tax represent three of the principal sources of revenue available to the German Government. They are the taxes that respond most closely to the development of the German economy as a whole and that should be most available to meet the obligations of the Reich. It will naturally be assumed, from the standpoint of the Experts' Plan, that the German Government has no doubt of its ability to maintain a stable budget and to meet all its obligations, external as well as internal, if, in addition to other contributions, the Government of the Reich agrees to continue for a further period of two years, up to April 1, 1929, a programme that involves the automatic surrender of such large percentages of these taxes to the States and communes.

Secondly, it will be recalled that the Experts' Plan itself contained specific provisions on the subject of the financial relations between the Reich and the States and communes. It stated, among other things, as follows:

"We do not pretend to be in a position to make detailed recommendations; the subject is a complicated one and involves the consideration of social and political factors, many of which have deep roots in historic traditions.

"Moreover, if our recommendations are accepted in their entirety, self-interest alone may almost confidently be relied upon to force the German Government to make provident arrangements with the States, and it has already given us an assurance that the régime of increased subsidies has come to an end and will not be revived.

"It is clear, however, that in the near future the German Government must take steps to put the relations between the Reich and its component parts on a regular basis which shall ensure that the latter are not a constant drain upon Federal resources; the existing hole in the budget must be plugged.

"It does not suffice, in our judgment, for the Reich to remain in supine contentment with the present situation merely because it has been the result of constitutional evolution. Germany waged war as an undivided whole and the financial responsibility of the Reich to the Allies cannot be qualified or weakened by an attitude of passive acquiescence in the undiminished rights of subordinate areas. So long as Germany has any external obligations they must be paramount, and the resources normally to be assigned to the States and communes must be clearly defined, and care must be taken to secure that these resources are not more than adequate to legitimate needs.

"Where further assistance must be given by the Federal Treasury the amount of such assistance should again be strictly proportioned to the necessities of each case, and subordinated to continually increasing central supervision by the Federal Treasury of local expenditure."

The Experts, in announcing their conclusions, did not fail to recognize the historical difficulties inherent in the problem, but at

the same time they expressed the opinion that "the situation has hitherto been governed by merely political or administrative opportunism rather than by clear financial principle".

Since the Experts' Plan went into operation, I have, in each of my Reports as Agent General for Reparation Payments, called attention to the urgent need of a definitive settlement of the problem. The Government of the Reich itself has recognized the same need in connection with the provisional financial settlement that was made by the law of August 10, 1925, by announcing that this provisional status was to continue until March 31, 1927, and that the intervening time was to be used for the preparation of the definitive financial settlement. With this in view, the law authorised the Finance Minister of the Reich to call upon the States and communes for adequate financial statistics.

By now deferring the definitive financial settlement for a further period of two years, and increasing in the meantime its guaranties to the States and communes, the German Government would put itself in the position of having neglected, year after year, to take the steps so strongly recommended by the Experts as being necessary for the protection of its own budget. In so doing it runs the danger, on the one hand, of encouraging the States and communes to new high levels of expenditure, and, on the other, of divesting itself of resources that may be needed for meeting its own obligations and carrying on its own functions.

Thirdly, there is manifestly a practical consideration as to the probable effect of the proposed new arrangements with the States and communes on the budgets of the Reich for the next two financial years, 1927-28 and 1928-29. You have yourself suggested this consideration in your budget speech to the Reichstag on February 16, 1927, in which you referred a number of times to the increasing burden on account of reparations during 1928 and 1929, and stated that "at the present moment, in spite of the best will, I see no possibility of paying these sums, to which there will be added, beginning in 1929, supplemental payments on the basis of the index of prosperity".

The Experts' Plan, as amended by the agreement respecting the supplemental contributions, calls for payments from the German budget (exclusive of the transport tax and the assigned revenue reserve fund), to the amount of 410 million gold marks in the third Annuity year, 500 million gold marks in the fourth Annuity year, and 1,250 million gold marks in the fifth or "standard" Annuity year. These budget payments, as you know, are all secured by the assigned revenues. I assume that in undertaking increased commitments to the States and communes during the very period of the increasing budgetary payments under the Experts' Plan you will have kept in mind the paramount nature of the external obligations of Germany under the Plan.

I have taken occasion to bring the foregoing considerations to your attention in the thought that it may be useful to point out in good season the relation of these questions to the operation of the Experts' Plan. I feel sure, my dear Mr. Minister, that the Govern-

ment of the Reich will appreciate the importance of these considerations in connection with the fulfilment of the international engagements of Germany established by the Plan and the London Agreements, not merely as regards the immediate present but more especially as regards the future.

Respectfully yours,

(signed) S. PARKER GILBERT,

Agent General for Reparation Payments.

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